




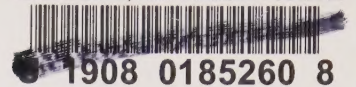
# Financial Management Manual: A Guide for Colorado Local Governments

Colorado General Assembly  
Legislative Council



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# Financial Management Manual: A Guide for Colorado Local Governments

Colorado General Assembly Legislative Council



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# *State of Colorado*



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## *Financial Management Manual*

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## **Introduction**

Financial management and accountability for public resources has continued to be an important concept for local governments. Budget, accounting, and audit processes come under close public and legislative scrutiny. Therefore, it is more important for all local governments to maintain and improve adequate accounting procedures, hire qualified auditors, and produce budgets and financial statements that are reliable, accurate, and informative to the end users.

This *Manual* is intended to provide users with current, practical, and useful information. The *Manual* provides basic financial management guidance in the areas of budgeting, accounting, auditing, cash management and investments, risk management, and financial reporting.

Through the Current Developments chapter, the *Manual* helps inform users of current issues affecting Colorado governments, new technical accounting and auditing standards, and new legislation. The Contacts chapter provides the user with contact information such as phone, address, and Internet sites for federal, state, local, and professional organizations. In addition, summaries are provided that describe the services that are available from the contacts listed. For those who do not have access to the Internet, most libraries provide Internet access.

Local governments may obtain a copy of the *Manual* from the Office of the State Auditor (OSA), or it can be downloaded by accessing the OSA Web site at <http://www.state.co.us/auditor>. At the Web site select Local Government section, then select FMM.

Please note the following about the *Manual*.

It is not intended to be a substitute for professional, legal and accounting advice.

All discussions of statutes are referring to the Colorado Revised Statutes (C.R.S.).

Users are cautioned to rely on official sources for statutory references and excerpts since portions of this *Manual* are not updated annually. The Contacts chapter provides sources of on-line access to Colorado Revised Statutes.

Except for the chart of accounts located in Appendix E, this *Manual* has not been copyrighted; thus any other portions may be duplicated for your convenience.

## **Acknowledgments**

This *Manual* has been published by the Office of the State Auditor in cooperation with the Advisory Committee on Governmental Accounting; the Department of Local Affairs, Division of Local Government; Colorado



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**Current Developments**

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## **Current Developments**

### **Introduction**

This section of the *Financial Management Manual* has been developed to keep local governments and other users of the *Manual* informed about current issues that may affect them. Included within this chapter is information concerning the following issues:

- New State Requirements
- Governmental Accounting Standards
- New Federal Requirements
- New Legislation
- Human Services Programs

*Please note that additional information about many of these topics has been included within other chapters of this Financial Management Manual. In addition, a complete listing of contact information including Web sites and addresses can be found in the Contacts chapter.*

### **New State Requirements**

The Local Government Section of the Office of the State Auditor is now requiring that all local governments that submit an Application for Exemption from Audit send in **two copies of the Application** with the original. This is effective for fiscal years starting after December 31, 2002.

### **Governmental Accounting Standards**

The Governmental Accounting Standards Board (GASB) establishes accounting and financial reporting standards for governmental entities. It is essential that anyone completing accounting records for a governmental entity know and understand governmental accounting and financial reporting standards. The following are GASB Standards that are or will be effective shortly.

### **Recent GASB Standards**

#### **GASB No. 34 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments**

This Statement significantly changes the way state and local governments report their finances to the public. The objective of the new financial reporting model is to make governmental financial reports easier to understand and more useful for current and potential users of the reports.

ALL local governments are required to put GASB Statement 34 (GASB 34) into effect. The effective date of this standard is dependent upon the government's total annual revenues in the fiscal year ending after June 15, 1999. Once total revenues are calculated for the government, the following chart



should be used to determine the effective date for the government.

Total Revenues	Effective Date
	Periods beginning after:
\$100 million or more	June 15, 2001
Between \$10 and \$100 million	June 15, 2002
\$10 million and below	June 15, 2003

Governments are required to capitalize all future infrastructure acquisitions as of the above effective dates (prospective reporting). However, different effective dates have been provided for the retroactive reporting of infrastructure assets, as follows.

Total Revenues	Effective Date
	Periods beginning after:
\$100 million or more	June 15, 2005
Between \$10 and \$100 million	June 15, 2006
Below \$10 million	Not Required to Report Retroactively

GASB 34 **requires** that reports provide financial information from a total government perspective including information about the full cost of providing government services, the government's infrastructure assets such as roads and bridges, and an analysis of the government's financial performance in narrative form. Governments will be required to present the following basic financial statements and required supplementary information.

Management's discussion and analysis.

Government-wide financial statements.

Fund financial statements.

Notes to the financial statements.

Required supplementary information including budgetary comparison schedules, certain defined benefit pension plan information, certain revenue and claims information related to public entity risk pools, and disclosures of certain multi-year actuarial data by employers that participate in single-employer and agent multiple-employer defined benefit pension plans, and certain information for governments that use the modified approach for infrastructure assets.

Again, GASB 34 applies to ALL local governments. Governments should start discussing the requirements with their CPA, if they haven't already done so.

*Remember, in addition to the GASB 34 requirements, the Local Government Audit Law **requires** that a comparison of actual figures to budgeted figures for each fund or activity for which a budget has been prepared be presented in the local government's audit report.*

### Reference material available

Both the Governmental Accounting Standards Board and the AICPA offer a GASB 34 implementation guide. In addition there are many examples of those entities that have implemented GASB 34 on the GASB website.

For contact and Web site information for the GASB and the AICPA, please refer to the Professional and Other Types of

Organizations section of the Contacts chapter of the *Manual*.

**GASB No. 37 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus - an amendment of GASB Statements No. 21 and 34.**

This statement explains the changes to escheat property that were previously reported in an expendable trust fund but now should be reported in a private-purpose trust fund under GASB 34. Escheat property is property that has reverted to the local government and has never been claimed. It also clarifies certain provisions and modifies other provisions of GASB 34. This statement should be simultaneously implemented with GASB 34. For those governments that implemented early, this statement is effective for financial statements for periods beginning after June 15, 2000.

**GASB No. 38 - Certain Financial Statement Note Disclosures.**

This statement modifies, establishes and rescinds certain financial statement disclosure requirements. This statement coincides with the effective date of GASB 34.

**GASB No. 39 - Determining Whether Certain Organizations Are Component Units an amendment of GASB Statement No. 14.**

This GASB statement provides additional guidance regarding the assessment of potential component units. This standard specifically focuses on those types of entities, such as foundations, that may be included as part of the financial reporting entity because

of the nature and significance of the relationship with the primary government. This GASB is effective for financial statements for periods beginning after June 15, 2003.

**GASB No. 40 - Deposit and Investment Risk Disclosures an amendment of GASB Statement GASB No. 3.**

This GASB removes the categorization of investments and focuses on investments that have the greatest risk and require additional disclosures for those investments. This GASB is anticipated to be released the first quarter of 2003 and will be GASB Statement No. 40. It is effective for periods beginning after June 15, 2004.

**GASB No. 41 - Budgetary Comparison Schedules - Perspective Differences - an amendment of GASB Statement No. 34.**

The GASB has published an Exposure Draft that clarifies existing guidance on budgetary comparisons in GASB 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This amendment would apply to governments with budgetary structures that prevent them from being able to present budgetary comparison information for their general funds and major special revenue funds, as currently required by GASB 34. The comment period concluded on February 28, 2003. The accounting change would be implemented simultaneously with GASB 34. For governments that have already implemented GASB 34, the requirements would be effective for periods beginning after June 15, 2002.

## Future GASB Standards

The Governmental Accounting Standards Board is in the process of finalizing the following standards:

### **Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.**

The GASB has issued an Exposure Draft that would require governments to report the effects of capital asset impairment in their financial statements when they occur. The proposed guidance would also enhance comparability of financial statements between governments by requiring all governments to account for insurance recoveries in the same manner. The comment period concluded on February 28, 2003. The effective date of the standard would be for fiscal years beginning after December 15, 2004.

### **Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.**

The GASB has published two Exposure Drafts on financial reporting of postemployment benefits. The proposed Statements on employer reporting would establish standards for the measurement, recognition and display of other postemployment benefits (OPEB) expenses or expenditures and related liabilities in the financial reports of state and local governments. The proposed guidance for both exposure drafts is expected to clarify

information for those who rely on state and local government financial statements for decision-making. The comment period for both exposure drafts concludes on April 30, 2003. The new standards would be implemented by employers in three phases based on a government's total annual revenues in the first fiscal year ending after June 15, 2003.

Phase 1 - Governments with total annual revenue of \$100 million or more would implement in periods beginning after June 15, 2006.

Phase 2 - Governments with total annual revenue of \$10 million or more but less than \$100 million would implement in periods beginning after June 15, 2007.

Phase 3 - Governments with total annual revenue less than \$10 million would implement in periods beginning after June 15, 2008.

The standards for OPEB plans would be effective one year prior to the implementation date for the employer (in a single-employer plan) or for the largest participating employer in the plan (in a multiple-employer plans.)

For contact and Web site information for the GASB, please refer to the Professional and Other Types of Organizations section of the Contacts chapter of the *Manual*.

## New Federal Requirements

### Compliance Supplement

All governments that receive federal funding should review the Office of Management and Budget (OMB) Circular A-133 Compliance



Supplement for any changes. The OMB generally has its newest Compliance Supplement available by March or April of each year and clarifies the federal grantees' responsibilities and the auditors' responsibility for testing for compliance that is particular to funding types. *Look for the newest Supplement soon on the OMB Web site.*

## **Auditing Standards**

*Government Auditing Standards* (GAS) were recently amended by the General Accounting Office (GAO) to include a new independence standard. In general, the new standard deals with a range of auditor independence issues. Most importantly this standard states that in some circumstances it is not appropriate for auditors to perform audit and certain nonaudit services for the same client. In these circumstances the auditor and/or the client will have to make a choice as to which services will be provided. The new standard will be effective for all audits for periods beginning on or after January 1, 2003, although early implementation is encouraged.

For contact and Web site information for the GAO and the OMB, please refer to the Federal Organizations section of the Contacts chapter of the *Manual*.

## **New Legislation**

Numerous bills were passed during the 2002 Legislative session that affect local governments. The following are summaries of legislation relating to the Open Records, Improvement Districts, Fire and Police Pensions and various other topics.

## **Open Records**

House Bill 02-1395 requires that the county clerk and recorder's office deny the public the right to inspect military records filed with the office that relate to separation from service. It requires that the records be made available to the person who is subject of the record or member's parents, siblings, widow or widower, and children if the person is deceased.

## **Fire and Police Pension**

Senate Bill 02-26 creates a permanent occupational disability benefit and a temporary occupational disability benefit for members of the statewide death and disability plan for police officers and firefighters.

House Bill 02-1032 allows members of the statewide defined benefit plan to purchase or roll over service credit for any other type of public employment or up to five years of private employment if other rules are met. This provision is subject to fire and police pension association board rules.

House Bill 02-1036 modifies the method of calculating the state contributions for volunteer firefighter pension plans. This bill also increases the minimum state contribution for volunteer pension plans to \$1,000 for any municipality or district that contributes specified mill levy proceeds for the assessment of the municipality or the district. The bill appropriates monies to fund the increase in the minimum state contribution for volunteer firefighter pension plans, contingent upon the amount of monies raised from the property tax deferral program.

## Improvement Districts

Senate Bill 02-103 includes several changes that affect how an improvement district of a local general purpose government functions. One change, specific to county public improvement districts that are annexed or incorporated into a municipality and that have no outstanding indebtedness or bonds, requires that the governing body of the municipality shall serve as the governing body of the district. In addition, if a county local improvement district is dissolved and any remaining funds of the district are not transferred to a special surplus and deficiency fund, the county may use these funds for any purpose.

House Bill 02-1465 states that if a special district is divided into smaller districts then the smaller districts are considered subdistricts of the special district. The subdistricts are each considered an independent, quasi-municipal corporation and shall follow existing laws regarding governing special districts. This law also states that the debt of the subdistrict shall be treated separately from the debt of the special district. All debt of the subdistrict and the special district cannot exceed the debt limits specified in the service plan of the special district.

House Bill 02-1224 defines “informational products and materials” for local improvement districts to mean any marketing or advertising device used to promote the general development of business within a local improvement district. This does not include any marketing or advertising device used to promote a single store or company. This law allows the district to use a district sales tax to produce and distribute informational products and materials.

## General

House Bill 02-1458 prohibits the secretary of state, department of revenue, and county clerks and recorders from selling, disclosing, or otherwise releasing electronic copies of signatures to anyone but another governmental entity in the course of regular business. This bill exempts the release of photocopies or microfilmed images of signatures.

House Bill 02-1280 prohibits a political subdivision from regulating deposits, lending, and other services or products provided by banks. This law does not prevent the political subdivision from enforcing laws or rules concerning the health, safety and welfare of the public.

Senate Bill 02-143 requires the county treasurer to promptly address any audit recommendations to the county commissioners no later than 90 days after the issuance of the final audit report. This law subjects the treasurer to penalties for contempt of court for failure to comply with these requirements.

House Bill 02-1119 establishes an electronic filing technology fund and an advisory panel. This bill also establishes various guidelines for accepting, endorsing, establishing procedures, and collecting surcharges related to documents that are electronically filed.

## TABOR

House Bill 02-1110 authorizes metropolitan sewage disposal districts that qualify for enterprise status under TABOR to create bonded indebtedness without first submitting the issue to the voters of the district. In addition, any bond that is issued for the

purpose of funding any note may be issued without an election.

## **Human Services Programs**

### **Medicaid Transportation**

The administration of Medicaid Transportation has been transferred to the county departments of social services effective October 1, 2002. Previously transportation providers were individually certified to provide transportation and bill for these services. The individual certification of these transportation providers has been revoked. Medicaid eligible clients will now call their county department of social service to arrange for a ride to a Medicaid provider.

### **Volume V Financial Regulations for County Departments of Social Services**

The rules for the financial operations of the county departments of social services have been reorganized, rewritten and updated. They are awaiting review and approval by the State Boards and Commissions Division of the Colorado Department of Human Services and will then be presented to the State Board of Human Services for review and approval.

Some of the guidelines used for the revision of these regulations were:

Make Volume V easier to use and easier to understand.

Add to or change some rules that are pertinent to today's world and aligned with state statutes, state fiscal rules, plus federal laws and regulations, such as changing the capitalization threshold from \$500 to \$5,000.

Delete old language for information systems and programs that no longer exist.

Reorganize and renumber the rules in a more logical format.

Create a number for every "rule".

Add a reference for every "rule".

Add new rules to Volume V.

The county social service directors and accountants, plus the Colorado Human Services Accounting and Auditing staff have reviewed this rewrite.

### **Colorado Benefit Management System**

The Colorado Department of Human Services will implement a new eligibility system called the Colorado Benefit Management System (CBMS) in late 2003. CBMS is a joint effort of the Colorado Department of Human Services, Colorado Department of Health Care Policy and Financing, County Departments of Social Services, and Non-County Medical Assistance Sites.

CBMS will replace the following county social service information systems:

Client Oriented Information Network (COIN).

COIN Accounts Receivable (CARS).

Colorado Automated Food Stamp System (CAFSS).

Automated Claims Tracking System (ACTS).

Children's Health Plan Plus (CHP+).



Colorado Automated Client Tracking  
Information System (CACTIS).

Colorado Employment First (CEF).

Adult Family & Children  
System/Colorado Adult Protection  
System (AFCS 101/CAPS).

There are three major reasons for  
implementing CBMS, including:

First, CBMS will replace antiquated,  
inflexible legacy systems that use outdated  
programming languages, are difficult to  
modify, and perform redundant processing in  
individual “stovepipe” systems.

Second, CBMS will allow for a universal  
worker, who will not have to memorize rules  
and look through manuals, to determine  
eligibility and will have single point of data  
entry for multiple programs.

Last, CBMS will improve access to public  
assistance and medical benefits by providing  
one-stop shopping for clients, permitting  
faster eligibility determinations, and allowing  
for higher accuracy and consistency in  
eligibility determinations statewide.

CBMS will provide for a new business  
environment with On-line Manuals, rules  
based eligibility determinations, a virtually  
paperless office, enhanced reporting, and  
policy development with “what if” capability.

For contact and Web site information for the  
Office of the Audit Division, please refer to  
the State Organizations, Colorado Department  
of Human Services section of the Contacts  
chapter of the *Manual*.

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***State of Colorado***  
***Financial Management Manual***  
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## **Contacts**

### **State Organizations**

#### **Governor's Office**

Governor's Office, Room 134  
State Capitol Building  
200 East Colfax  
Denver, CO 80203-1792  
Phone: 303/866-2471  
Fax: 303/866-2003  
<http://www.colorado.gov/>

The State of Colorado's home page provides links to many different types of state and local government resources.

#### **Colorado Office of Economic Development and International Trade**

Suite 1710  
1625 Broadway  
Denver, CO 80202  
Phone: 303/892-3840  
Fax: 303/892-3848  
<http://www.state.co.us/oed/index.cfm>

#### **• Colorado Enterprise Zones**

Suite 1700  
1625 Broadway  
Denver, CO 80202  
Phone: 303/892-3840  
Fax: 303/892-3725  
[http://www.state.co.us/oed/edc/e\\_zone.cfm](http://www.state.co.us/oed/edc/e_zone.cfm)

Enterprise zones were established to provide incentives for private enterprise to expand and for new business to locate

in economically distressed areas of the state. This Office provides information related to enterprise zones. **Contact Evan Metcalf at 303/892-3840 or [evan.metcalf@state.co.us](mailto:evan.metcalf@state.co.us) for additional information.**

#### **Colorado Department of Agriculture**

Suite 4000  
700 Kipling Street  
Lakewood, Co 80215-8000  
Phone: 303/239-4100  
Fax: 303/239-4176  
<http://www.ag.state.co.us>

#### **Colorado State Conservation Board**

Denver Office  
Centennial Building  
Room 219  
1313 Sherman Street  
Denver, CO 80203  
Phone: 303/866-3351  
Fax: 303/832-8106

The Colorado State Conservation Board is responsible for developing a program for the conservation and preservation of natural resources including adequate underground water reserves, the control of wind and water erosion, and the reduction of damage resulting from floods.

The Board also coordinates various programs with federal and state agencies on natural resource issues. It provides guidance on streambank erosion and assists farmers on various water and energy efficiency programs

through extension offices located throughout the state.

Grand Junction Office

Room 111

743 Horizon Court

Grand Junction, CO 81506-8715

Phone: 970/243-5068

Fax: 970/243-4269

**Colorado Department of Education**

201 East Colfax Avenue

Denver, CO 80203

Phone: 303/866-6806

Fax: 303/866-6938

<http://www.cde.state.co.us>

**Public School Finance Division**

Room 508

201 East Colfax Avenue

Denver, CO 80203

Phone: 303/866-6845

Fax: 303/866-6888

This Division administers public school finance for the state and establishes statewide budgeting, reporting, and auditing standards for school districts. **Contact Vody Herrmann for additional information.**

**Colorado Department of Human Services**

1575 Sherman Street

Denver, CO 80203-1714

Phone: 303/866-5700

Fax: 303/866-4740

<http://www.cdhs.state.co.us/>

**Colorado Benefit Management System**

<http://www.cbms.state.co.us>

**Office of the Audit Division**

4120 S. Julian Way

Denver, CO 80236-3102

Phone: 303/866-7324

Fax: 303/866-7332

This Office performs financial and compliance audits of local agencies that receive federal and state funds from the Colorado Department of Human Services. This Office also reviews the reports and workpapers of independent auditors for compliance with the Single Audit Act. **Contact Charissa Hammer for additional information.**

**Office of Field Services**

2<sup>nd</sup> Floor

1575 Sherman Street

Denver, CO 80203

Phone: 303/866-3904

Fax: 303/866-3905

This Office provides technical assistance and support for the planning, streamlining, and implementation of the reorganization of local human service delivery systems. **Contact Danelle Young for additional information.**

**Colorado Department of Labor and Employment**

Tower 2

Suite 400

1515 Arapahoe Street

Denver, CO 80202-2117

Phone: 303/318-8700

Fax: 303/318-8710

<http://cdle.state.co.us/default.htm>

## **Division of Workers' Compensation**

Tower 2  
Suite 650  
1515 Arapahoe Street  
Denver, CO 80202-2117  
Phone: 303/318-8060  
Fax: 303/318-8069  
<http://www.coworkforce.com/DWC>

The Division administers the mandatory workers' compensation insurance program. It also provides information to help the public understand the workers' compensation system, provides dispute resolution services, and enforces compliance with the laws and rules of workers' compensation.

## **Office of the State Social Security Administrator**

Tower 2  
Suite 500  
1515 Arapahoe Street  
Denver, CO 80202-2117  
Phone: 303/318-8060 or 303/318-8061  
Fax: 303/318-8069

This Office provides information regarding responsibilities of state and local government employers for Social Security and Medicare coverage and Federal Insurance Contributions Act (FICA) tax withholding, and public pension system requirements. **Contact Maryann Motza at 303/318-8061 or [maryann.motza@state.co.us](mailto:maryann.motza@state.co.us) or Dean Conder at 303/318-8060 or [dean.conder@state.co.us](mailto:dean.conder@state.co.us) for additional information.**

## **Public Employees' Social Security Program**

<http://pess.cdle.state.co.us>

The Colorado Department of Labor and Employment offers this Web site as a quick

reference tool for public employers and their employees, accountants, payroll officials, and others who need information about Social Security and Medicare (hospital insurance) requirements for state and local government employees.

## **Colorado Department of Local Affairs (DOLA)**

Centennial Building  
Room 323  
1313 Sherman Street  
Denver, CO 80203  
Phone: 303/866-2771  
Fax: 303/866-2251  
<http://www.dola.state.co.us>

## **Colorado Demography Section**

Centennial Building  
Room 521  
1313 Sherman Street  
Denver, CO 80203  
Phone: 303/866-4147  
Fax: 303/866-4819  
<http://www.dola.state.co.us/Demog/index.htm>

As the primary source for state demographic information, the Division prepares, maintains, and interprets population statistics, estimates, and projections. Demographic information is available for economic trend analysis, budget projections, and financial assistance applications. Contact Becky Picaso at 303/866-4147 or [rebecca.picaso@state.co.us](mailto:rebecca.picaso@state.co.us).

## **Division of Housing**

Centennial Building  
Room 518  
1313 Sherman Street  
Denver, CO 80203  
Phone: 303/866-2033  
Fax: 303/866-4077  
<http://www.dola.state.co.us/Doh/Index.htm>



The Housing Division of the Department of Local Affairs assists Colorado communities in providing safe, decent, and affordable housing by helping to identify housing needs and by securing private and public financing. To ensure the entire state is served effectively, housing development representatives provide technical assistance for each region of the state. These contacts are as follows:

Metro Denver Area and North Central Regions

**Lynn Shine**

Centennial Building  
Room 518  
1313 Sherman Street  
Denver, CO 80203  
Phone: 303/866-2046  
Fax: 303/866-4077  
[lynn.shine@state.co.us](mailto:lynn.shine@state.co.us)

Metro Denver Area, Eastern and Northeastern Regions

**Andy Proctor**

Centennial Building  
Room 518  
1313 Sherman Street  
Denver, CO 80203  
Phone: 303/866-4650  
Fax: 303/866-4077  
[andy.proctor@state.co.us](mailto:andy.proctor@state.co.us)

Western Region

**Bill Whaley**

Room 409  
222 South Sixth Street  
Grand Junction, CO 81501  
Phone: 970/248-7302  
Fax: 970/248-7317  
[bill.whaley@state.co.us](mailto:bill.whaley@state.co.us)

Metro Denver Area and South Central Regions

**Ann Watts**

Centennial Building  
Room 518  
1313 Sherman Street  
Denver, CO 80203  
Phone: 303/866-4652  
Fax: 303/866-4077  
[ann.watts@state.co.us](mailto:ann.watts@state.co.us)

Southeastern & San Luis Valley Regions

**Rick Hanger**

Room 260  
132 West B Street  
Pueblo, CO 81003  
Phone: 719/544-2466  
Fax: 719/545-1876  
[rick.hanger@state.co.us](mailto:rick.hanger@state.co.us)

**Division of Local Government**

Centennial Building  
Room 521  
1313 Sherman Street  
Denver, CO 80203  
Phone: 303/866-2156  
Fax: 303/866-4819  
<http://www.dola.state.co.us>

The Local Government Division of the Department of Local Affairs is charged with assisting local governments and advocating local issues at the state level. The division staff assists in all aspects of local government administration through workshops, publications, on-line computerized data, and direct staff consultation. A description of the services provided by the Division with specific contacts for each area follows. **Contact Susanna Lienhard at 303/866-2354 or [susanna.lienhard@state.co.us](mailto:susanna.lienhard@state.co.us) for additional information.**

- **Budgeting**

The Division provides technical assistance on budgeting issues such as compliance with the Local Government Budget Law and calculating various TABOR and tax limits. **Contact Susanna Lienhard at 303/866-2354 or [susanna.lienhard@state.co.us](mailto:susanna.lienhard@state.co.us) for additional information.**

- **Field Services**

The Division has eight regional managers that serve as the initial contact and client representative for local governments. These managers also provide management, planning, and community development technical assistance. Each regional manager serves a specific region in Colorado.

Central Region

**Clay Brown**

15075 S. Golden Road  
Golden, CO 80401  
Phone: 303/273-1787  
Fax: 303/273-1795  
[clay.brown@state.co.us](mailto:clay.brown@state.co.us)

North Central Region

**Don Sandoval**

Suite 215  
150 East 29th Street  
Loveland, CO 80538  
Phone: 970/679-4501  
Fax: 970/669-7717  
[don.sandoval@state.co.us](mailto:don.sandoval@state.co.us)

Northeastern Region

**Kent Gumina**

119 Poplar Street  
Sterling, CO 80751  
Phone: 970/522-2672  
Fax: 970/522-4225  
[kent.gumina@state.co.us](mailto:kent.gumina@state.co.us)

Northern Mountains Region

**Cathy Shipley**

602 Galena Street  
P.O. Box 5507  
Frisco, CO 80443-5507  
Phone: 970/668-6160  
Fax: 970/668-3216  
[cathy.shipley@state.co.us](mailto:cathy.shipley@state.co.us)

Northwestern Region

**Tim Sarmo**

Room 409  
222 South 6th Street  
Grand Junction, CO 81501  
Phone: 970/248-7333  
Fax: 970/248-7317  
[tim.sarmo@state.co.us](mailto:tim.sarmo@state.co.us)

South Central Region

**Debra Downs**

P. O. Box 127  
Monte Vista, CO 81144  
Phone: 719/852-9429  
Fax: 719/852-9433  
[deb.downs@state.co.us](mailto:deb.downs@state.co.us)

Southeastern Region

**Lee Merkel**

Suite 260  
132 West "B" Street  
Pueblo, CO 81003  
Phone: 719/544-6577  
Fax: 719/545-1876  
[lee.merkel@state.co.us](mailto:lee.merkel@state.co.us)

Southwestern Region

**Ken Charles**

Fort Lewis College  
1000 Rim Drive  
Durango, CO81302  
Phone: 970/247-7311  
Fax: 970/247-7032  
[charles\\_k@fortlewis.edu](mailto:charles_k@fortlewis.edu)

• **Financial Management and Purchasing**

Financial management assistance is furnished in the areas of investment and cash management, capital financing, revenue development, expenditure control, fiscal policy development, and banking and financial analysis and projections. The Division also assists local governments in purchasing procedures, including establishing and updating procurement codes. The Division provides information on how local governments can participate in the state-local purchasing program and in local cooperative purchasing programs. **Contact Susanna Lienhard at 303 / 866 - 2354 or [susanna.lienhard@state.co.us](mailto:susanna.lienhard@state.co.us) for additional information.**

• **Conservation Trust Fund (CTF)**

The Division makes electronic and check distributions to local governments eligible to receive Conservation Trust Fund monies, the revenues from the state lottery games. CTF eligible governments must annually submit the Conservation Trust Fund Status Reporting Form. Local Governments indicate on this form the types and costs of CTF funded projects. **Contact Teri Davis at 303/866-4462 or**

**[teri.davis@state.co.us](mailto:teri.davis@state.co.us) for additional information.**

• **Planning Assistance**

The Division provides professional assistance to local governments in their land use, and environmental and capital improvement planning efforts. **Contact Charles Unseld at 303/866-2353 or [charles.unseld@state.co.us](mailto:charles.unseld@state.co.us) for additional information.**

• **Special District Elections and Administration**

The Division provides special districts assistance with election requirements and deadlines, open meetings and public records, and compliance requirements of state statutes. In addition, it provides help with the formation, consolidation, and dissolution of special districts. **Contact Kerry Dwyer at 303/866-2814 or [kerry.dwyer@state.co.us](mailto:kerry.dwyer@state.co.us) for additional information.**

• **Water and Wastewater Assistance**

The Division assists communities in addressing the range of problems they often face concerning overburdened water or wastewater treatment plants. In addition, the Division provides help in analyzing rate structures for user and tap fees, coordinating with state and federal agencies, exploring funding alternatives, and identifying plant operator training programs. **Contact Barry Cress at 303 / 866 - 2352 or [barry.cress@state.co.us](mailto:barry.cress@state.co.us) for additional information.**



## **Division of Property Taxation**

Centennial Building  
Room 419  
1313 Sherman Street  
Denver, CO 80203  
Phone: 303/866-2371  
Fax: 303/866-4000

The Division of Property Taxation of the Department of Local Affairs coordinates and administers the implementation of property tax law in the State's 64 counties. **Contact Mary Huddleston at 303/866-2371 or [mary.huddleston@state.co.us](mailto:mary.huddleston@state.co.us) for additional information.**

## **Office of Smart Growth**

Room 521  
1313 Sherman Street  
Denver, CO 80203  
Phone: 303/866-2156  
Fax: 303/866-4819  
<http://www.dola.state.co.us/SmartGrowth/index.htm>

The Office of Smart Growth (OSG) was created within the Department of Local Affairs during the 2000 legislative session to assist local governments in addressing the unique public impacts of growth (C.R.S. 24-32-3201). The mission of the OSG is to provide direct technical and financial assistance to local governments in the areas of land use planning and growth management.

## **Colorado Department of Personnel and Administration**

Colorado State Bank Building  
Suite 1030  
1600 Broadway  
Denver, CO 80202  
Phone: 303/866-6566  
Fax: 303/866-6569  
<http://www.state.co.us/dpa/>

## **Colorado State Archives**

Centennial Building  
Room 1B-20  
1313 Sherman Street  
Denver, CO 80203  
Phone: 303/866-2055  
Fax: 303/866-2257  
<http://www.archives.state.co.us>

The Division produces the *Colorado General Records Management Manual* and the 2003 (updated annually) *Colorado Municipal Records Retention Schedule* which provide general guidelines for the retention or disposition of records. Although these documents are developed for state agencies and municipalities, these may be used by local governments to manage their retention and disposition of records.

For Contact and Assistance Information:

<http://www.archives.state.co.us>,  
Select *How To Contact Us*

For Records Management Manual:

<http://www.archives.state.co.us>,  
Select Records Management  
Select *Records Management Manual*

For Optical Disk Policy Statement:

<http://www.archives.state.co.us>  
Select Records Management  
Select *Records Management Manual*  
Select (Under Part II - Appendices)  
D. Optical Disk: Policy Statement and Recommended Practices.

For Model Municipal Retention Schedule:

<http://www.archives.state.co.us>  
Select Records Management  
Select Model Municipal Retention Schedule

For Approval Form for the Municipal Retention Schedule:

<http://www.archives.state.co.us>

Select Records Management

Select Model Municipal Retention Schedule

Select Approval Request Form

### **State Controller's Office**

State Services Building

Room 250

1525 Sherman Street

Denver, CO 80203

Phone: 303/866-3281

Fax: 303/866-4233

<http://www.sco.state.co.us>

### **Colorado Department of Regulatory Agencies**

Suite 1550

1560 Broadway

Denver, CO 80202

Phone: 303/894-7855

Fax: 303/894-7885

<http://www.dora.state.co.us>

### **Division of Banking**

Room 1175

1560 Broadway

Denver, CO 80202

Phone: 303/894-7575

Fax: 303/894-7570

<http://www.dora.state.co.us/Banking/>

The Division is responsible for the regulation of state-chartered commercial banks, trust companies, and industrial banks. The Division also is responsible for the enforcement of the Public Deposit Protection Act. **Contact Cynthia Chamberlin at 303/894-7571 for additional information.**

### **Division of Insurance**

Suite 850

1560 Broadway

Denver, CO 80202

Phone: 303/894-7499

Toll-free: 1-800/930-3745

Fax: 303/894-7455

<http://www.dora.state.co.us/insurance>

The Division serves individual consumers and the insurance industry. The Division's mission is consumer protection. Specific duties/services related to this mission include: resolving consumer complaints against insurers, monitoring companies for financial solvency, licensing producers, and investigating illegal activities.

### **Division of Securities**

Suite 420

1580 Lincoln Street

Denver, CO 80203

Phone: 303/894-2320

Fax: 303/861-2126

<http://www.dora.state.co.us/securities/>

The Division examines and licenses state securities companies, broker-dealers, sales representatives, and registers securities to be offered for sale to the public. In addition, the Division administers and enforces the requirements of creating and operating a local government investment pool. **Contact Sheryl Lemon for additional information.**

### **State Board of Accountancy**

Room 1340

1560 Broadway

Denver, CO 80202

Phone: 303/894-7800

Fax: 303/894-7802

<http://www.dora.state.co.us/accountants>

In general, this Board is responsible for licensing and regulating individual Certified Public Accountants (CPAs) and Certified

Public Accounting Firms, and for investigating complaints filed against its licensees.

## **Colorado Department of Transportation**

Room 262  
4201 East Arkansas Avenue  
Denver, CO 80222  
Phone: 303/757-9201  
Fax: 303/757-9656  
<http://www.dot.state.co.us/>

### **Financial Management and Budget**

Room 240  
4201 East Arkansas Avenue  
Denver, CO 80222  
Phone: 303/757-9061  
Fax: 303/757-9090

The Division oversees the Highway User Tax Funds given to local governments. **Contact Will Ware for additional information.**

## **Colorado Department of Treasury**

State Capitol Building  
Room 140  
200 East Colfax  
Denver, CO 80203  
Phone: 303/866-2441  
Fax: 303/866-2123  
<http://www.treasurer.state.co.us/>

The State Treasurer's Office provides technical services in areas of cash management, investments, and banking services to local governments.

## **Unclaimed Property**

Department of Treasury  
Suite 1004  
1120 Lincoln Street  
Denver, CO 80203  
Phone: 303/894-2443  
Fax: 303/894-2351  
E-mail: [greatcopayback@qwest.net](mailto:greatcopayback@qwest.net)

The Unclaimed Property Program is responsible for collecting and distributing unclaimed property according to the Unclaimed Property Law. All governmental entities must file an "unclaimed or abandoned property report" annually with the State Treasurer's Office. **Contact Patty White for additional information.**

## **Colorado Legislative Service Agencies**

### **Colorado General Assembly**

State Capitol Building  
200 East Colfax  
Denver, CO 80203  
Phone: 303/866-2904 (House)  
303/866-2316 (Senate)  
[http://www.state.co.us/gov\\_dir/stateleg.htm](http://www.state.co.us/gov_dir/stateleg.htm)

This Internet site is useful when following legislation or conducting legislative searches. It contains the Colorado Revised Statutes, session laws, house and senate bills, calendars, and the *Digest of Bills*.

### **Office of Legislative Legal Services**

State Capitol Building  
Room 091  
200 East Colfax Avenue  
Denver, CO 80203-1782  
Phone: 303/866-2045  
Fax: 303/866-4157  
[http://state.co.us/gov\\_dir/stateleg.html](http://state.co.us/gov_dir/stateleg.html)  
Select Legislative Legal Services under

“Service Agencies.”

The Office of Legislative Legal Services prepares the bills and resolutions introduced in the General Assembly. In addition, the *Digest of Bills* is published annually which summarizes the enacted bills for each current year’s legislative session. **Contact Sharon Eubanks for additional information.**

**Office of the State Auditor (OSA)**

Legislative Services Building  
200 East 14th Avenue  
Denver, CO 80203-2211  
Phone: 303/869-2800  
Fax: 303/869-2875  
<http://www.state.co.us/auditor>

This Web site offers access to the *Financial Management Manual*, the latest performance and financial audits performed by the OSA, and links to various auditing and accounting organizations.

• **Local Government Section**

Legislative Services Building  
200 East 14th Avenue  
Denver, CO 80203-2211  
Phone: 303/869-2870  
Fax: 303/869-2875  
E-mail: [osa.lg@state.co.us](mailto:osa.lg@state.co.us)  
<http://www.state.co.us/auditor>

The Local Government Section is responsible for reviewing all audits and Applications for Exemption from Audit for compliance with generally accepted accounting principles and applicable Colorado laws as prescribed by the Local Government Audit Law. For technical assistance on governmental accounting and auditing issues **contact Dianne Ray, Cynthia Hochmiller, Robin Peterson, or Shanli Tse.**

For general Local Government assistance related to audit submission or Applications for Exemption from Audit, requests for forms, and orders for the *Financial Management Manual* **contact Ingrid Depta at 303/869-2872.**

**Pinnacol Assurance**

7501 E. Lowry Blvd.  
Denver, CO 80230  
Phone: 303/361-4000  
Customer Service: 1-800/873-7242  
Fax: 303/361-5000  
<http://www.pinnacol.com>

Pinnacol Assurance provides an assured source of workers' compensation insurance to Colorado employers. This includes providing a full range of quality services to insured employers and their employees. Pinnacol Assurance guarantees the availability of statutorily mandated insurance.



## **Federal Organizations**

### **Catalogue of Federal Domestic Assistance (CFDA)**

CFDA

Room 101

300 Seventh Street, S.W.

Reporters Building

Washington, D.C. 20407

Phone: 202/708-5126

Fax: 202/401-8233

<http://www.cfda.gov>

### **Department of Housing and Urban Development (HUD)**

Office of Public Housing

Wells Fargo Building

12th Floor

633 17th Street

Denver, CO 80202

Phone: 303/672-5372

Customer Service: 303/672-5372

Toll-free: 1-800/377-2019

Fax: 303/672-5065

<http://www.hud.gov>

This Web site provides general information about the operations and programs of HUD. In addition, the HUD handbook and forms can be accessed from this site.

<http://hudatwork.hud.gov/programinfo/index.cfm>

This Web site provides information on the operation of HUD programs in Colorado.

<http://www.HUD.gov/reac/reafin.html>

This Web site provides detailed information regarding HUD's Real Estate Assessment Center's financial system, the *HUD PIA GAAP Conversion Guide*, and additional information regarding the new HUD reporting requirements.

### **General Accounting Office (GAO)**

441 G Street, N.W.

Washington, DC 20548

Phone: 202/512-4800

Fax: 202/512-8546

<http://www.gao.gov/>

The GAO performs audits and evaluations of federal government programs and activities. This Web site offers access to GAO publications, audit reports, and reports on Federal Agency Rules.

### **Government Printing Office (GPO)**

Superintendent of Documents

P.O. Box 371954

Pittsburgh, PA 15250-7954

Phone: 202/512-1800

Fax: 202/512-2250

<http://www.access.gpo.gov/>

The mission of the GPO is to inform the nation by producing, procuring, and disseminating printed and electronic publications of the Federal government. This Web site provides access to more than 70 databases of federal publications, including the *Congressional Record* and the *Federal Register*.

### **Department of Health & Human Services (HHS)**

200 Independence Avenue, S.W.

Washington, D.C. 20201

Phone: 202/619-0257

Toll Free: 1-877/696-6775

<http://www.hhs.gov/>

HHS is the United States government's principal agency for protecting the health of all Americans and providing essential human services.

<http://www.hhs.gov/grantsnet/>

GrantsNet is a tool for finding and exchanging

information about HHS and selected other federal grant programs.

**Centers for Medicare & Medicaid Services (CMS)**

7500 Security Boulevard  
Baltimore, Maryland 21244  
Phone: 410/786-3000  
<http://www.cms.hhs.gov>

CMS administers the Medicare, Medicaid and Child Health Insurance Programs for the Department of Health and Human Services. The Web site contains information about each of these programs.

**Department of Labor**

<http://www.dol.gov>

The Department of Labor offers many resources for employers. At the home page select "Compliance Assistance" and find resources on the Fair Labor Standards Act (FLSA), the Family Medical Leave Act (FMLA), the Occupational Safety and Health Act (OSHA), and many others.

**Inspector General Community**

<http://www.ignet.gov>

The Inspector General Community consists of the Offices of Inspector General, who conduct audits, investigations, and inspections of more than 60 federal agencies, as well as their peers in state and local government, education, nonprofit organizations, and the private sector. This Web site contains links to several sources including the Single Audit Library, the Office of Government Ethics, and Inspector General Home pages.

**Internal Revenue Service**

<http://www.irs.gov>

The Internal Revenue Service provides tax information for employers, forms for contract employees and payroll filing guidance. Many publications are available on the web site.

**National Archives and Records**

**Administration (NARA)**

700 Pennsylvania Avenue NW  
Washington, DC 20408-0001  
Phone: 202/501-5404  
Toll-free: 1-866/272-6722  
Fax: 301/837-0483  
<http://www.nara.gov>

NARA is an independent federal agency that helps preserve our nation's history by overseeing the management of all federal records. This Web site offers records management guidance, links to publications such as the *Federal Register*, and technical guidance concerning archival preservation and management.

**Office of Management and Budget (OMB)**

Administration Office  
725 17th Street NW  
Washington, DC 20503  
Phone: 202/395-3080  
Fax: 202/395-9068  
<http://www.whitehouse.gov/omb/>

**OMB Circulars or Publications**

Phone: 202/395-7332  
Fax: 202/395-9068  
<http://www.whitehouse.gov/omb/circulars/index.html>

This Web site provides access to all OMB Circulars, Publications, and standard forms including the *Circular A-133 Compliance Supplement* and data collection form.

## **Securities and Exchange Commission (SEC)**

SEC Headquarters  
450 Fifth Street, NW  
Washington, DC 20549  
Phone: 202/942-7040  
<http://www.sec.gov/>

The SEC is a federal regulatory agency with responsibility for administering the federal securities laws. This Web site offers investor education and assistance as well as access to SEC rules and the *News Digest*.

## **Single Audit Clearinghouse**

Bureau of the Census  
1201 East 10th Street  
Jeffersonville, IN 47132  
Phone: 1-888/222-9907  
<http://harvester.census.gov/sac>

This Web site offers access to the on-line database containing current information from the Federal Audit Clearinghouse. Included is an electronic template of the data collection form which is used to capture single audit information.

## **Professional and Other Types of Organizations**

### **American Institute of Certified Public Accountants (AICPA)**

Harborside Financial Center  
201 Plaza Three  
Jersey City, NJ 07311-3881  
Phone: 201/938-3000  
Fax: 201/938-3329  
Gen. Tech. Info. Phone: 1-888/777-7077  
24-Hour Fax Hotline: 201/938-3787  
<http://www.aicpa.org>

The AICPA Web site contains information on the Single Audit Act, new accounting and auditing standards, and various types of research links.

<http://www.aicpa.org/belt/a133main.htm>

This Web site offers guidance related to *OMB Circular A-133* including examples of the reports required, and links to the *Circular* and the *Compliance Supplement*.

### **Association of Government Accountants (AGA)**

2208 Mount Vernon Avenue  
Alexandria, VA 22301-1314  
Phone: 703/684-6931  
Toll-free: 1-800/AGA-7211  
Fax: 703/548-9367  
<http://www.agacgfm.org/>

### **Association of Public Treasurers of the United States & Canada**

Suite 710  
1029 Vermont Avenue, N.W.  
Washington, DC 20005  
Phone: 202/737-0660  
Fax: 202/737-0662  
<http://www.aptusc.org>

### **Association of Records Managers and Administrators International (ARMA)**

P. O. Box 13424  
Denver, Colorado 80201  
Phone: 303/693-4830  
Toll-free: 1-888/897-9990  
<http://www.arma.org/hq>

### **Association of School Business Officials International (ASBO)**

11401 North Shore Drive  
Reston, VA 20190-4232  
Phone: 703/478-0405  
Fax: 703/478-0205  
<http://www.asbointl.org>

### **Colorado Association of School Boards (CASB)**

1200 Grant Street  
Denver, CO 80203-2306  
Phone: 303/832-1000  
Toll-free: 1-800/530-8430  
Fax: 303/832-1086  
<http://www.casb.org>

### **Colorado Counties, Inc. (CCI)**

Suite 1510  
1700 Broadway  
Denver, CO 80290-1501  
Phone: 303/861-4076  
Fax: 303/861-2818  
<http://www.ccionline.org/>



### **Colorado Government Finance Officers Association (CGFOA)**

P.O. Box 19276  
Denver, CO 80219-0276  
Phone: 1-888/922-4647  
Fax: 303/922-5295  
<http://www.cgfoa.org>

### **Colorado Intergovernmental Risk Sharing Agency (CIRSA)**

3665 Cherry Creek North Drive  
Denver, CO 80209  
Phone: 303/757-5475  
Toll-free: 1-800/228-7136  
Fax: 303/757-8950  
<http://www.cirsa.org/>

### **Colorado Municipal League (CML)**

1144 Sherman Street  
Denver, CO 80203  
Phone: 303/831-6411  
Fax: 303/860-8175  
<http://www.cml.org>

### **Colorado School Districts Self-Insurance Pool (CSDSIP)**

Suite 500  
455 Sherman Street  
Denver, CO 80203-4405  
Phone: 303/722-2600  
Toll-free: 1-800/332-3556  
Fax: 303/722-7888  
<http://www.csdsip.net>

### **Colorado Self-Insurers Association**

P. O. Box 4001  
Golden, CO 80410-0001  
Phone: 303/982-6885  
Fax: 303/982-6911

### **Colorado Society of Certified Public Accountants (CSCPA)**

Suite 500  
7979 East Tufts Avenue  
Denver, CO 80237-2845  
Phone: 303/773-2877  
Toll-free: 1-800/523-9082 (in-state wats)  
Fax: 303/773-6344  
<http://www.cocpa.org>

### **Colorado Special Districts Property and Liability Pool**

Suite 1000  
225 East 16<sup>th</sup> Avenue  
Denver, CO 80203  
Phone: 303/863-1733  
Toll-free: 1-800/886-1733  
Fax: 303/863-1765

### **Community Resource Center**

Suite 300  
655 Broadway  
Denver, CO 80203-3426  
Phone: 303/623-1540  
Toll-free: 1-800/516-6284  
Fax: 303/623-1567  
e-mail: [info@crcamerica.org](mailto:info@crcamerica.org)  
<http://www.crcamerica.org>

### **Council for Advancement and Support of Education (CASE)**

Suite 1000  
1307 New York Avenue NW  
Washington, D.C. 20005-4701  
Phone: 202/328-2273  
Fax: 202/387-4973  
<http://www.case.org>

**County Technical Services, Inc.  
(CTSI)**

Suite 1512  
1700 Broadway  
Denver, CO 80290  
Phone: 303/861-0507  
Fax: 303/861-2832  
<http://www.ctsi.org>

**Financial Accounting Standards  
Board (FASB)**

Suite 7  
401 Merritt  
P O Box 5116  
Norwalk, CT 06856-5116  
Phone: 203/847-0700  
Fax: 203/849-9714  
<http://www.fasb.org>

**Fire and Police Pension Association  
(FPPA)**

Suite 100  
Two DTC  
5290 DTC Parkway  
Greenwood Village, CO 80111  
Phone: 303/770-3742  
Toll-free: 1-800/332-3772  
Fax: 303/771-7622  
<http://www.fppaco.org>

**Fitch IBCA Rating Agency**

One State Street Plaza  
New York, New York 10004  
Phone: 212/908-0500  
Toll-free: 1-800/753-4824  
Fax: 212/480-4435  
<http://www.fitchibca.com>

**Government Finance Officers  
Association (GFOA)**

Suite 2700  
203 N. LaSalle Street  
Chicago, IL 60601-1210  
Phone: 312/977-9700  
Fax: 312/977-4806  
<http://www.gfoa.org>

**Governmental Accounting  
Standards Board (GASB)**

Suite 7  
401 Merritt  
P O Box 5116  
Norwalk, CT 06856-5116  
Phone: 203/847-0700  
Fax: 203/849-9714  
<http://www.gasb.org>

**International City/County  
Management Association (ICMA)**

Suite 500  
777 North Capitol Street, NE  
Washington, DC 20002-4201  
Phone: 202/962-3680  
Fax: 202/962-3500  
<http://www.icma.org>

**Moody's Investors Service**

99 Church Street  
New York, NY 10007  
Phone: 212/553-0377  
Fax: 212/553-4700  
<http://www.moodys.com>

**National Association of Counties  
(NACo)**

Suite 800  
440 First Street, N.W.  
Washington, D.C. 20001  
Phone: 202/393-6226  
Fax: 202/393-2630  
<http://www.naco.org>

**National Association of Securities  
Dealers (NASD)**

9509 Key West Avenue  
Rockville, MD 20850  
Phone: 1-800/289-9999  
Fax: 204/386-4838  
<http://www.nasd.com/1000.asp>

**National Association of State  
Auditors, Comptrollers and  
Treasurers (NASACT)**

Suite 302  
2401 Regency Road  
Lexington, KY 40503-2914  
Phone: 859/276-1147  
Fax: 859/278-0507  
<http://nasact.org>

**National Conference of State  
Legislatures (NCSL)**

7700 East First Place  
Denver, CO 80230  
Phone: 303/364-7700  
Fax: 303/364-7800  
<http://www.ncsl.org>  
Select State Legislatures  
Select Internet sites to link to other state  
legislatures and related sites.

**Public Employees' Retirement  
Association (PERA)**

1300 Logan Street  
Denver, CO 80203-2386  
Phone: 303/832-9550  
Toll-free: 1-800/759-7372  
Fax: 303/837-6264  
<http://www.copera.org/>

**Public Entity Risk Institute**

Suite 210  
11350 Random Hills Road  
Fairfax, VA 22030  
Phone: 703/352-1846  
Fax: 703/352-6339  
<http://www.riskinstitute.org>

**Public Risk Information  
Management Association (PRIMA)**

Suite 1020  
1815 North Fort Myer Drive  
Arlington, VA 22209  
Phone: 703/528-7701  
Fax: 703/528-7966  
<http://www.primacentral.org>

**PRIMA - Colorado**

5334 South Prince Street  
Littleton, CO 80166-0001  
Phone: 303/795-4573  
Fax: 303/734-5479  
<http://www.coloradoprimary.org>

**Risk and Insurance Management  
Society, Inc. (RIMS)**

655 Third Avenue  
New York, NY 10017  
Phone: 212/286-9292 (Ext. 222)  
Fax: 212/986-9716  
<http://www.rims.org>

**Risk and Insurance Management  
Society, Inc. (RIMS) - Rocky  
Mountain Chapter**

Room 503  
900 Grant Street  
Denver, CO 80203  
Phone: 303/764-3515  
Fax: 303/764-3229

**Securities Investor Protection  
Corporation (SIPC)**

Suite 800  
805 15<sup>th</sup> Street, N.W.  
Washington, D.C. 20005-2215  
Phone: 202/371-8300  
Fax: 202/371-6728  
<http://www.sipc.org>

**Special District Association of  
Colorado (SDA)**

Suite 1000  
225 East 16th Avenue  
Denver, CO 80203  
Phone: 303/863-1733  
Toll-free: 1-800/886-1733  
Fax: 303/863-1765  
<http://www.sdaco.org>

**Standard & Poor's Ratings Services**

55 Water Street  
New York, NY 10041  
General Ratings Phone: 212/438-2000  
<http://www.standardandpoors.com>



## Other Useful Internet Sites

### Bureau of Labor Statistics

<http://stats.bls.gov/>

This Internet site offers information pertaining to labor economics and statistics compiled by the Bureau of Labor Statistics.

### Colorado Bar Association

<http://www.cobar.org>

This Internet site offers links to courts such as the U.S. Supreme Court, 10th Circuit Court of Appeals, Colorado Supreme Court, and Colorado Court of Appeals in which court case opinions can be viewed. This Web site also contains general information regarding the Colorado Bar Association.

### Federal Law

<http://www.thecre.com/fedlaw/default.htm>

This site provides access to federal laws and regulations, court cases, state and territorial laws, and arbitration and mediation rules.

### FinanceNet

<http://www.financenet.gov>

This Web site allows access to World Wide Web and Gopher libraries of documents, news and announcements, topical mailing lists, and discussion groups for federal, state, and local government issues.

### Grimshaw and Harring P.C.

<http://www.grimshawharring.com>

From this Web site local governments are able to download the complete *TABOR Digest*. The *TABOR Digest* provides information about Colorado court cases interpreting TABOR.

### Library of Congress

<http://www.loc.gov>

This Web Site provides information to Federal legislation and the Law Library of Congress.

### State & Local Pension Exchange

<http://pensionexchange.com>

This Web site is intended to function as a conduit for information about public pension funds, the organizations that serve them, and the issues affecting public pension fund management and administration.

### Statute Manager

[http://www.state.co.us/gov\\_dir/stateleg.html](http://www.state.co.us/gov_dir/stateleg.html)

Select Colorado Revised Statutes on the left.

This Web site provides access to Colorado Revised Statutes and court rules. However, these statutes do not contain annotations (specific references to relevant court proceedings and statutes).

### U.S. State & Local Gateway

<http://www.firstgov.gov>

This Web site was developed to give state and local government officials easy access to federal information including federal laws and regulations and links to other state and local governments.

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## ***Financial Management Manual***

### ***A Guide for Colorado Local Governments***

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## **Accounting**

### **Introduction**

The purpose of accounting is to provide financial information to management and the public. Generally accepted accounting principles (GAAP) are the minimum standards and guidelines for financial accounting and reporting for state and local governments. These principles were developed to establish requirements for the fair presentation and comparability of financial information among governments. Adherence to GAAP ensures that financial reports of all local governments will contain the same types and categories of funds and account groups and that the financial data will be based on the same measurement and classification criteria.

A governmental accounting system should make it possible to (a) present fairly and with full disclosure the financial position and results of financial operations of the funds and account groups of the governmental entity in conformity with GAAP and (b) determine and demonstrate compliance with finance-related legal and contractual provisions.

This section provides information on the sources of governmental accounting principles, as well as a general explanation of the principles.

### **Sources of Accounting Principles and Guidance**

In 1984, the Governmental Accounting Standards Board (GASB) was established under the sponsorship of the Financial Accounting Foundation to set standards of financial accounting and reporting for state and local governmental entities. The GASB issues authoritative pronouncements including GASB Statements, Interpretations, Technical Bulletins, and Implementation Guides. These pronouncements provide GASB's position on governmental accounting and financial reporting topics.

The Financial Accounting Standards Board (FASB) was established by the Financial Accounting Foundation to set standards for activities and transactions of all non-governmental entities. Many of FASB's standards are applicable or used as guidance for state and local governmental proprietary (business-type) accounting and financial reporting. Guidance on how FASB applies to governments can be found in GASB's Statement No. 20.

The American Institute of Certified Public Accountants (AICPA) issues audit and accounting guidance for independent auditors. The AICPA publishes an Audit and Accounting Guide, *Audits of State and Local Governmental Units* and the *Codification of Statements on Auditing Standards*.

In September 2002, the AICPA released the Audit and Accounting Guide, *Audits of State and Local Governmental Units (GASB 34 Edition)*.

The *Governmental Accounting, Auditing and Financial Reporting* (GAAFR) publication by the Government Finance Officers Association (GFOA) provides guidance to government finance officers, elected officials, independent auditors, and others. The GAAFR supplies detailed guidance for the effective application of the GASB principles related to the accounting and financial reporting of local governments. GFOA issued a GASB 34 edition of the GAAFR in 2001.

For contact and Web site information for the GFOA, please refer to the Professional and Other Types of Organizations section of the Contacts chapter of the *Manual*.

## **Explanation of Accounting Principles**

It is essential that anyone completing accounting records for a governmental entity know and understand generally accepted accounting principles (GAAP) that are applicable to governments and ensure that the entity is in compliance with the provisions of state and local laws.

A discussion on the basic principles of accounting and reporting applicable to governmental entities is provided within this section.

## **Legal Compliance**

An important aspect of conforming to GAAP is recognizing that legal compliance

provisions may conflict with GAAP. For example, the Local Government Budget Law requires a budget and appropriation for all funds of the local government. However, GASB recommends that proprietary funds not be budgeted and not be limited to appropriation requirements. To conform to both GAAP and legal provisions, the governmental entity should maintain an accounting system that allows for compliance with legal provisions and ensures that sufficient records are maintained to provide GAAP-based reporting.

## **Governmental Financial Reporting Model (Includes GASB 34)**

### **Government-Wide Financial Statements**

With the issuance of GASB Statement No. 34, the first group of basic financial statements is the government-wide financial statements. These statements consist of the statement of net assets and the statement of activities. These replace the combined statements under the previous reporting model. These statements must be prepared using the economic resources measurement focus and the full accrual basis of accounting. Government-wide financial statements are used to assess a government's operational accountability.

### **Fund Financial Statements**

Fund financial statements consist of a series of statements that focus on information about the government's major governmental and proprietary funds as well as its internal service and fiduciary fund types. Fund financial statements are used to assess a government's fiscal accountability.

## **Fund and Fund Types - Fund Accounting**

According to GASB, governmental accounting systems should be organized and operated on a fund basis. GASB defines a fund as “a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities of balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.”

Fund accounting provides governmental entities with the framework necessary to account for their different activities or services. All of the funds used by a governmental entity should be classified into the categories discussed in the following sections.

There are three fund types used in governmental accounting which include governmental, proprietary, and fiduciary.

### **Governmental Funds**

Governmental funds are used to account for general government activities which benefit the public as a whole such as administration, fire and police protection, and maintenance of streets and roads. To account for these activities, there are five types of governmental funds which include the general, special revenue, capital projects, debt service, and permanent funds. The permanent fund was established by GASB 34 to report resources that are legally restricted to the extent that only earnings, and not principal may be used for purposes that support the reporting government's programs. An example of a

permanent fund would be to account for the perpetual care endowment of a municipal cemetery. The sources, uses, and balances of the government's spendable financial resources and the related current liabilities, except those accounted for in proprietary funds, are accounted for through governmental funds.

### **Proprietary Funds**

Proprietary funds are used to account for a government's business-type or commercial activities such as goods or services that are sold to the public, to other governments, or to other departments within the government. There are two types of proprietary funds: enterprise and internal service funds. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business-type or commercial activities are accounted for through these types of funds.

### **Fiduciary Funds**

Fiduciary funds are used to account for financial resources held or managed by the governmental entity in a trustee or agent capacity for individuals, private organizations, other governmental entities, and/or other funds. This fund category consists of pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds.

Definitions of these fund categories and types can be found in this Manual in the Uniform Classification of Accounts (Appendix E) or in the Glossary (Appendix F).

## **Basis of Accounting**

To ensure all transactions and events are recorded and reported consistently by governmental entities, a consistent basis of



accounting was established. According to GASB, the basis of accounting refers to when revenues, expenditures, expenses, transfers, and the related assets and liabilities are recognized in the accounts and reported in the financial statements.

The modified accrual or accrual basis of accounting, as appropriate, should be used by governments in measuring financial position and operating results.

The basis of accounting used by a specific type of fund is determined by how a transaction or event is recognized in the fund's operating statement.

### **Governmental Funds**

Governmental fund revenues and expenditures are recognized on the modified accrual basis. Under the modified accrual basis of accounting, revenues and transfers in are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period, and expenditures and transfers out are recorded when the related liability is incurred, if measurable. The operating statement of the governmental fund focuses on changes in current financial resources even though they may have no effect on net assets.

### **Proprietary Funds**

Proprietary fund revenues and expenses are recognized on the full accrual basis. Under the accrual basis of accounting, revenues and assets are recognized at the time they are earned and become measurable, and expenses and related liabilities are recognized in the period incurred, regardless of when cash is received or disbursed.

### **Fiduciary Funds**

Fiduciary fund revenues and expenses are accounted for on the full accrual basis. However, agency funds are unlike all other type of funds by reporting only assets and liabilities. These funds do not have a measurement focus, but do use the full accrual basis of accounting to recognize receivables and payables.

### **Budgetary Accounting**

Budgeting is an essential element of the financial planning, control, and evaluation processes of governments. Every governmental entity should prepare a budget covering all governmental, proprietary, and fiduciary funds for each annual fiscal year. Budgetary comparisons must be included in the appropriate financial statements and schedules for all funds. The Colorado Local Government Budget Law requires preparation of budgets and appropriations for all funds and activities of the entity.

The basis upon which the budget is prepared should be as consistent as possible with the basis of accounting utilized. The accounting system should provide the basis for appropriate budgetary control. Further, the manner in which budgetary control should be achieved and reported on differs significantly between proprietary and governmental funds and, to a lesser extent, among the several types of fiduciary funds. As an example, debt principal payments are not an expense in proprietary funds but may need to be budgeted as an expense.

Annual operating budgets should, to the extent practical, be prepared in conformity with GAAP. In addition, Section 29-1-605 (a), C.R.S., requires local governments to provide

a budgetary comparison for each fund or activity for which a budget was prepared. The reconciliation should be provided either on the face of the budgetary comparison statement or in the notes to the financial statements.

Additional budgeting information can be found in the Budgeting chapter of this Manual. In addition, sample budget documents are provided in Appendix C.

## **Common Terminology and Classification**

Governments should consistently use a common terminology and classification throughout the budget, the accounts, and the financial reports of each fund. This creates comparability between the budget and financial reports.

Many local governments across the nation use the Government Finance Officers Association (GFOA) uniform classification of accounts for accounting and financial reporting of their government activities. This chart of accounts has been reprinted with permission in Appendix E of the *Manual*.

School districts, however, must use the classification of accounts outlined by the *Financial Policies and Procedures Handbook* adopted by the State Board of Education. For contact and Web site information about school districts, please refer to the State Organizations, Colorado Department of Education section of the Contacts chapter of the *Manual*.

## **Internal Control Process**

An internal control process is an important element in providing financial information to management and the public. The American Institute of Certified Public Accountants (AICPA) defines internal control as a process designed to provide reasonable assurance that a governmental entity is achieving objectives in the following categories:

Operating effectively and efficiently.

Complying with applicable laws and regulations.

Ensuring the data collected by the accounting system for financial reporting is reliable.

The AICPA has determined there are five interrelated components to an internal control process: control environment, risk assessment, control activities, information and communications, and monitoring.

## **Control Environment**

Management should establish and maintain an environment that sets a positive and supportive attitude toward internal control. Some of the factors that should be considered are:

Establishment of integrity and ethical values.

Commitment of competence required to accomplish particular jobs.

Management's philosophy and operating style.

Organizational structure that is appropriate for its size and nature of its operations.

Assignment of authority and responsibility to proper personnel to deal with the organizational goals and objectives.

Policies and procedures in place for hiring, orienting, training, evaluating, counseling, promoting, compensating, disciplining, and terminating employees.

An example that management may use to establish and maintain its control environment is to develop a policies and procedures manual.

## **Risk Assessment**

Once the objectives have been set, risks that could impede the efficient and effective achievement of the objectives should be identified both from internal and external sources.

Some examples of internal sources of risk are:

Major changes in managerial responsibilities.

Unusual employee access to vulnerable assets.

Downsizing an agency's operations and personnel.

Disruption of information systems processing and the extent to which backup systems are available.

Availability of future funding for new programs or the continuation of current programs.

Some examples of external sources of risk are:

Changing needs of government officials or the public.

New legislation or regulations.

Natural catastrophes or criminal or terrorist actions.

Changes in major suppliers or contractors.

New technological advancements and developments.

An analysis should be performed and the agency should develop an appropriate approach for risk management. For more information regarding an entity's risk environment, see the risk management section of the *Manual*.

## **Control Activities**

Internal control activities are the policies, procedures, techniques, and mechanisms that help ensure that management's directives to minimize risks identified during the risk assessment process are carried out. These activities occur at all levels and functions. They can include a wide range of diverse activities, such as approvals, authorizations, verifications, reconciliations, performance reviews, security activities and the production of records and documentation.

Some examples of some common control activities are:

Restricting access to cash, blank checks, and other assets that are vulnerable to loss, theft, damage or unauthorized use.

Placing identification plates and numbers on office furniture and fixtures.

Protecting facilities from fire by fire alarms and sprinkler systems.

## Information and Communications

For an agency to run and control its operations, it should have relevant, reliable information, both financial and nonfinancial, relating to internal as well as external events. Information should be recorded and communicated to management and others within the agency who need it and in a form and within a time frame that enables them to carry out their internal control and operational responsibilities.

Some examples of internal communications would be:

Providing clear communication to all employees of acceptable behavior versus unacceptable behavior and the consequences of improper conduct.

Providing a clear understanding of job duties.

Providing a means of communicating information upstream within government through someone other than a direct supervisor.

An example of external communications would be to establish open and effective communication channels with customers, suppliers, contractors, consultants and other groups that can provide significant input on quality of services, and with other state and local governments.

## Monitoring

Monitoring should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring activities and separate evaluations of the internal control system should be considered.

Ongoing monitoring occurs during the normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties.

Some examples of ongoing monitoring activities are:

Separating duties, such as check writing from responsibilities, such as bank reconciliations.

Requiring personnel to sign-off on the accuracy of their reports with accountability if errors are discovered.

Requiring automated edits and checks that help control accuracy and completeness of transaction processing.

External evaluations are a way to take a fresh look at internal controls by focusing directly on the controls' effectiveness at a specific time. The scope and frequency should be appropriate for the agency, the methodology should be



logical and appropriate, and the deficiencies found should be promptly resolved. These are often conducted by an independent certified public accountant. Evaluations might include:

Comparison of internal control policies versus actual practice.

Review of reporting deficiencies and management notification, along with corrective actions.

After considering the five components to an internal control process, keep in mind there are inherent limitations associated with internal controls, such as:

Cost considerations may prevent management from ever installing a perfect system.

Internal controls may be potentially subject to management override.

The risk of collusion exists.

A sound internal control framework is a government's primary defense against fraud. Controls designed to detect fraud may be useful in preventing fraud, and the threat of prompt detection can function as a deterrent.

For contact and Web site information for internal control, please refer to the Federal Organizations, General Accounting Office section of the Contacts chapter of the *Manual*.

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**Auditing**

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## **Auditing**

### **Introduction**

The goal of auditing is to provide assurance for citizens, legislators and others that government funds are accounted for properly and that government organizations are in substantial compliance with laws and regulations. An audit may be conducted under different levels of auditing standards or requirements including generally accepted auditing standards (GAAS) established by the American Institute of Certified Public Accountants (AICPA); generally accepted government auditing standards (GAGAS) established by the United States General Accounting Office (GAO); or the additional requirements of the Single Audit Act.

According to the GAO, auditing:

Provides credibility to the information provided by governmental entities.

Contributes to accountability by providing independent reports on whether an entity's financial information is presented fairly.

This section of the *Financial Management Manual* will provide general information about required audits, the auditor's role in the audit, selecting an auditor, and various other matters concerning the audit engagement.

### **Required Audits**

#### **Colorado Audit Law Requirements**

The Local Government Audit Law (Section 29-1-601 et seq., C.R.S.) requires Colorado local governments to have an annual audit of their financial statements. The law states that the audit must be performed by an independent Certified Public Accountant (CPA) and be in accordance with generally accepted auditing standards.

For local governments with revenues or expenditures less than \$300,000, the Audit Law (Section 29-1-604, C.R.S.) specifies that they can be exempt from audit as long as the Application for Exemption form is completed as stated below and then submitted to the State Auditor for approval.

If revenues or expenditures are less than \$100,000, the Application must be prepared by a **person skilled in governmental accounting**.

If revenues or expenditures are between \$100,000 and \$300,000, the Application must be prepared by an **independent accountant with knowledge of governmental accounting**.

The Application for Exemption and the instructions on how to complete it can be

found in Appendix B of the *Manual*.

In addition, the complete text of the Local Government Audit Law has been included within the Statutes chapter of the *Manual*.

## Single Audit Requirements

The Single Audit Act establishes standards for obtaining consistency and uniformity for audits of states, local governments, and nonprofit organizations expending federal funds. Governments are required to complete a Single Audit in accordance with the Single Audit Act if they have expenditures of federal financial assistance in excess of \$300,000.

Guidance on Single Audit compliance requirements can be found in the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. The OMB issues a Compliance Supplement every year to assist auditors in performing the required audit in accordance with Circular A-133.

In addition to the above guidance issued by the OMB, the American Institute of Certified Public Accountants (AICPA) has issued a new Statement of Position (SOP) 98-3. This SOP provides guidance to auditors conducting an audit in accordance with the Single Audit Act.

For contact and Web site information about the Single Audit, please refer to the Federal Organizations, Single Audit Clearinghouse section of the Contacts chapter in the *Manual*.

## Auditor's Role

The auditor's role is to conduct an independent audit and render to outside

parties an unbiased opinion on the fair presentation of the financial statements. The auditor must conduct the audit in accordance with generally accepted auditing standards (GAAS). If a Single Audit is required, the audit must also be conducted in accordance with generally accepted government auditing standards (GAGAS).

Generally accepted auditing standards require that the auditor do the following to support the audit opinion on the financial statements, footnotes and other required disclosures.

Plan the audit including reviewing appropriate laws and regulations and obtaining an understanding of the entity and the entity's internal control structure.

Perform fieldwork consisting of tests, procedures, and analytical work to the extent determined necessary in the planning stage and during the audit.

Review fieldwork and issue the audit opinion.

There are several different types of audit opinions that can be issued by the auditor. Audit opinions generally fall into five broad categories:

Unqualified Opinion. An opinion that the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the entity in conformance with GAAP.

Unqualified Opinion With Explanatory Language. Certain circumstances, while not affecting the auditor's unqualified opinion on the



financial statements, may require that the auditor add an explanatory paragraph or other explanatory language to his or her report. These circumstances might include:

- The auditor's opinion might be based on the report of another auditor.
- There are uncertainties concerning future events, the outcome of which could not be estimated at the date of the auditor's report.
- There is a substantial doubt as to the entity's ability to continue as a going concern.
- There has been a material change between periods in accounting principles or in the method of their application.

Qualified Opinion. A qualified opinion states that “except for the effect(s) of the matters to which the qualification relates, the financial statements present fairly....” A qualified opinion may be a red flag to the readers of the statement. It should always be thoroughly discussed with the auditor.

Adverse Opinion. An adverse opinion states that “financial statements do not present fairly....” Something in the financial statements has caused the auditor to believe that the financial statements would be misleading to a reader.

Disclaimer of Opinion. A disclaimer of opinion states that “the auditor does not express an opinion.” An auditor will issue a disclaimer when there are major scope limitations, where there are material uncertainties that cannot be resolved, or when, for a variety of reasons, sufficient, competent evidence cannot be examined.

In addition to audit opinions, the auditor usually provides to the governing board a management letter and performs a formal presentation of the audit report. The management letter is used by the auditor to inform the governing board of further financial issues discovered during the audit, such as areas for improving internal controls.

## Selecting an Auditor

The selection of an auditor is an important part of obtaining a quality audit. When selecting an auditor, the government should consider the auditor's governmental auditing experience, availability, and knowledge of current governmental accounting and auditing standards. Another area to consider is the auditor's independence.

The United States General Accounting Office (GAO) recently issued Amendment No. 3 on independence. This amendment deals with a range of auditor independence issues, the most significant change relating to the standards associated with nonaudit, or consulting services. An electronic version of this standard can be accessed through the GAO Internet Home Page. For contact and Web site information, please refer to the Federal Organizations, General Accounting Office section of the Contacts chapter of the *Manual*.

A request for proposal (RFP) should be issued by the government to solicit proposals from audit firms who wish to be considered in the audit selection process. In the RFP, the government can request specific information be included in the auditor's proposal and define the services and qualifications required. A sample Request for Proposal can be found at the end of this chapter.

The GAO has published "*How to Avoid a Substandard Audit*" which is an excellent reference for those preparing an RFP. It provides a list of items that, at a minimum, should be included in your RFP, as well as suggestions on what to include to enhance your chances of receiving a high quality proposal. For contact and Web site information for the GAO, please refer to the Federal Organizations, General Accounting Office section of the Contacts chapter of the *Manual*, at that Web site select Yellow Book then select Other Publications then select "*How to Avoid a Substandard Audit*".

Governments should be aware that auditors performing Single Audits are required by government auditing standards to meet certain specific qualifications:

Each person having substantial involvement in the audit must have had a minimum of 80 hours of continuing education in the preceding two years.

No less than 24 of the 80 hours must be in courses directly related to governmental auditing or subjects that relate directly to the audit being conducted. For example, attending a course in health care auditing would qualify as directly related to auditing a government-operated hospital.

The audit organization should have an external peer review performed of its audit practice at least once every three years by an independent reviewer.

In addition, if a Single Audit must be completed, the government must follow the standards for selecting an auditor prescribed by the federal *Grants Management Common Rule*. For example, the *Common Rule* requires that a government use a competitive process when selecting an auditor.

Some local governments select an auditor based on price only. This is a dangerous practice that may lead to receiving a substandard audit. It is highly recommended that local governments interview at least three audit firms before making a selection. If all other factors are the same, then justification can be made for selecting the firm which has the lowest bid price.

For information about CPA firms that perform governmental audits, contact other government entities, the Office of the State Auditor, or the Colorado Society of CPAs (CSCPA). For contact and Web site information for the CSCPA, please refer to the Professional and Other Types of Organizations, Colorado Society of Certified Public Accountants section of the Contacts chapter of the *Manual*.

## Audit Engagement Letter

According to Statements on Auditing Standards (SAS) 83 when an auditor is selected, an engagement letter should be completed, in accordance with AICPA standards, by the auditor and signed by the government. In general, the engagement letter will establish the scope, responsibilities, and

time lines involved in the audit. In addition, it will include the names of team members and a list of items the auditor will need from the government.

## Management Representations

The auditor is required by auditing standards to obtain written representations from management as part of conducting the audit. Upon completion of the audit, the auditor will ask key management personnel to sign a management representation letter. Failure to sign the letter will normally result in the auditor's either withdrawing from the engagement or issuing a qualified opinion or disclaimer of opinion. Each representation letter is tailored to fit the audit performed. SAS No. 85, as amended by SAS No. 89, provides a list of specific representations that should be obtained. The following are common matters relating to the audit that may be included in the letter:

## Financial Statements

Management's acknowledgment of its responsibility for the fair presentation in the basic financial statements of its financial position, results of operations, and changes in cash flows in conformity with generally accepted accounting principles (GAAP). Regardless of who prepares the financial statements, they are the responsibility of management, not of the auditor. Management should not have unanswered questions about the financial statements and should require the auditor to make appropriate explanations of any questions before signing this representation.

Management's belief that the financial statements are fairly presented in conformity with GAAP.

## Completeness of Information

A statement that all financial records and related data have been made available. The auditor may not be familiar with all of the records maintained by the entity. This representation ensures that the auditor has been made aware of all records.

A statement that all minutes of meetings of the governing body are complete and have been made available.

A statement that communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices have been made available.

A statement that the financial statements do not contain known errors and that there are no unrecorded transactions.

## Recognition, Measurement, and Disclosure

Information concerning fraud involving (1) management, (2) employees who have significant roles in internal control, or (3) others where the fraud could have a material effect on the financial statements.

A statement that the entity does not have plans or intentions that may affect the carrying value or classification of assets or liabilities.

Information concerning related-party transactions and amounts receivable from or payable to related parties.

Guarantees, whether written or oral, under which the entity is contingently liable.

Disclosure of any noncompliance with aspects of contractual agreements that may affect the financial statements.

Disclosure of certain significant risks and uncertainties associated with the nature of the entity's operations and from the use of estimates in the preparation of the entity's financial statements.

Disclosure of violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

A statement that the entity has satisfactory title to assets, liens, or encumbrances on assets and assets pledged as collateral.

Information concerning claims or assessments that the entity's lawyer has advised are probable.

Disclosure of other liabilities and gain or loss contingencies.

## **Subsequent Events**

Information concerning subsequent events. Did anything occur between the end of the fiscal year and the completion of the audit fieldwork that would have an impact upon the financial statements?

*Representation letters can and do become legal documents used in legal proceedings. Each person signing a letter should clearly understand the representations being made.*



# **Exhibit**

## **Request for Proposal for Audit Services**

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### **Purpose**

The purpose of this request for proposal (RFP) is to engage the services of a qualified firm of certified public accountants to provide auditing services to the City of Sample, Colorado (City).

### **Services Required**

The scope of the prospective engagement will be to perform a financial and compliance audit of the City for the year ended December 31, 20XX. The firm selected will be expected to provide consultation and assistance in the preparation of its basic financial statements in conformity with generally accepted accounting principles and in preparation of the comprehensive annual financial report (CAFR). The audit and resulting accountants' reports must be in accordance with the Single Audit Act. The City anticipates the implementation of GASB 34 for its calendar year ended December 31, 20XX.

### **Description of Entity to Be Audited**

The City is a municipality created pursuant to Title 31 of Colorado Revised Statutes. Funds included in the financial statements to be audited will be the General, Capital Projects, Special Revenue, Enterprise, and Internal Service Funds. The CAFR for the prior year is included with this RFP.

The City operates under a Council-Manager form of government, with the City Council being composed of seven members. The City is administered by an appointed City Manager, who is responsible to the City Council. There are six departments: public safety services, planning services, community services, intergovernmental services, financial services, and internal services.

Accounting and purchasing are centralized in the Department of Financial Services. Accounting functions are performed on the City's mainframe computer system using a comprehensive government accounting software package.

### **Inquiries**

This request for proposal (RFP) is issued by the City. All proposals should be delivered to:

City of Sample  
1234 Smith Lane  
Sample, Colorado 80005  
Attention: John Brown, City Manager  
303/123-4567

## Qualifications Required

In order to be considered, the firm presenting the proposal must be a firm of certified public accountants eligible by law to practice public accounting in the State of Colorado.

## Proposal Content

Firms are requested to present the following information:

- Location of the office from which the work is to be done and number of professional staff employed at that office.
- Experience and qualifications of the firm and personnel assigned to the engagement.
- Consulting capabilities.
- Current quality control review report.
- Other information the firm believes would assist the City in its evaluation process.
- Proposed cost.

Firms are requested to provide the written proposal to the City by August 31, 20XX.

## Time Requirements

The following deadlines are presently anticipated:

RFP mailed to prospective bidders	August 1, 20XX
Prospective bidder's inquiry deadline	August 15, 20XX
Proposal deadline	August 31, 20XX
Notifications of bid selection	September 15, 20XX
Engagement of successful firm; fieldwork can begin	September 30, 20XX
End of accounting period	December 31, 20XX
Submit audit report to City Council for approval	June 30, 20XX
Submit audit report to the Office of the State Auditor	July 31, 20XX

## Evaluation Process

The City will judge the merits of proposals received in accordance with the criteria discussed below. The bidder is responsible for providing all information requested in this RFP and failure to do so may result in disqualification of the proposal. During the evaluation process, the City may request firms to complete an oral presentation or answer further questions about their proposal.

### Criteria:

1. Certified public accounting firm licensed to practice in the State of Colorado.
2. A peer review completed within the past three years.
3. The adequacy and completeness of the proposal.

4. The experience of the firm.
5. The experience and qualifications of staff to be assigned to the audit.
6. The proposed cost of the audit (number of hours and hourly rate).

### **Right to Reject Proposals**

The City reserves the right to reject any or all proposals and accepts no responsibility for the cost of proposal preparation.

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**Financial Reporting**

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## **Financial Reporting**

### **Introduction**

Financial reporting allows governments to communicate to the public the financial condition and operations of the government. The Governmental Accounting Standards Board (GASB), Concepts Statement 1, identifies three objectives of financial reporting. They are as follows:

Financial reporting should assist in fulfilling government's duty to be publicly accountable and should enable users to assess that accountability.

Financial reporting should assist users in evaluating the operating results of the governmental entity for the year.

Financial reporting should assist users in assessing the level of services that can be provided by the governmental entity, the entity's ability to meet obligations, and its financial condition.

This section of the *Financial Management Manual* provides general information about financial reporting requirements as mandated by the Governmental Accounting Standards Board, federal regulations, and Colorado statutes.

### **Financial Reporting Sections**

#### **GASB Requirements**

The Governmental Accounting Standards Board (GASB) issues authoritative pronouncements that are intended to provide accounting and financial reporting guidance for state and local government entities. In addition, GASB issues various technical bulletins and question-and-answer (Q&A) guides to aid in the interpretation of the authoritative pronouncements.

In June 1999, GASB issued Statement No. 34 which dramatically changed the way state and local governments report their finances to the public.

Generally accepted accounting principles (GAAP) have established the basic financial statements and the required supplementary information as the minimum standard for financial reporting.

#### **Basic Financial Statements**

The basic financial statements should include the government-wide and fund financial statements. The government-wide financial statements displays information about the reporting government as a whole, except for the fiduciary activities. Separate columns for the governmental and business-type activities of the primary government as well as for its

component units. These should be prepared using the economic resources measurement focus and the accrual basis of accounting.

The fund financial statements for the primary government's governmental, proprietary, and fiduciary funds should be presented after the government-wide statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds. Fiduciary statements should include financial information for fiduciary funds and similar component units. These should be prepared using the measurement focus and basis of accounting required for that fund.

### **Required Supplementary Information**

Required supplementary information (RSI) consists of management's discussion and analysis (MD&A) and other RSI. With the issuance of GASB 34, the biggest change was the MD&A. The purpose of the MD&A is to provide users of the basic financial statements with a narrative introduction, overview and analysis of the statements. GASB 34 provides a list of specific topics that should be addressed and governments are not allowed to address any additional topics.

The other RSI includes the budgetary comparison and information about infrastructure assets reported using the modified approach. This RSI is presented immediately following the notes to the financial statements.

### **Government Finance Officers Association**

Government Finance Officers Association (GFOA) sponsors a program to encourage governments to prepare comprehensive

annual financial reports. There are three major sections that are required to be included in the comprehensive annual financial report (CAFR), the introductory, financial and statistical.

*The Governmental Accounting, Auditing, and Financial Reporting, Using the GASB 34 Model* published by the Government Finance Officers Association is an excellent source of information in preparing these three sections.

### **Introductory Section**

This section provides general information on the government's structure and personnel and any other useful information to assess the government's financial condition. This section is not included with the scope of the audit, but the auditor is responsible for reading the contents. Items that would be considered introductory would be report cover, title page, table of contents, Certificate of Achievement for Excellence in Financial Reporting (if applicable), list of principal officials, organizational chart, audit committee letter (if applicable), and letter of transmittal. With the issuance of GASB 34, the biggest change in this area is the letter of transmittal. This is the most important part of the introduction and its primary function is to communicate the CAFR to its intended users. There are four components of the transmittal letter: 1) formal transmittal of the CAFR, 2) profile of the government, 3) information useful in assessing the government's financial condition, and 4) awards and acknowledgments. The letter of transmittal found in the introduction section provides a place for discussion of additional topics not addressed in the MD&A.

## Financial Section

This section contains the:

independent auditor's report on the financial statement audit.

management's discussion and analysis (MD&A).

basic financial statements and notes.

required supplementary information (other than MD&A).

combining and individual fund presentations and supplementary information.

## Statistical Section

This section provides a broad range of trend data, usually for the past ten years, for key financial indicators such as general revenues and expenditures, property tax collections and debt burden and demographic information such as population per capita income, median age of the population, and unemployment rates.

## Certificate of Achievement

GFOA has a program that encourages governments to prepare CAFRs and recognizes governments that have issued these reports. There are specific requirements that the CAFR must meet. When a government has earned the Certificate of Achievement for Excellence in Financial Reporting, a copy of the certificate is typically placed after the letter of transmittal in the following year.

## Federal Reporting Requirements

The Single Audit Act establishes standards for obtaining consistency and uniformity for audits of states, local governments, and nonprofit organizations expending federal funds. Governments are required to complete a Single Audit in accordance with the Single Audit Act if expenditures of federal financial assistance are in excess of \$300,000 during the fiscal year.

The Single Audit Act has requirements that go well beyond auditing only the federal financial assistance that was received and expended during the year. The federal government is interested in how the entire entity is managed, and accordingly requires a series of reports from the auditor.

For contact and Web site information for Single Audit reporting requirements, please refer to the Federal Organizations, Single Audit Clearinghouse section of the Contacts chapter of the *Manual*.

## Reporting Requirements for Colorado Local Governments

According to the Local Government Audit Law (Section 29-1-601 et seq., C.R.S.), each Colorado local government, unless exempt, must have an annual audit of their financial statements. These financial statements should be prepared in conformity with generally accepted accounting principles (GAAP).

The Audit Law (Section 29-1-604, C.R.S.) allows local governments with revenues or expenditures that do not exceed \$300,000 to be exempt from audit as long as the Application for Exemption form is completed as required



by statute and submitted to the Office of the State Auditor for approval. The Application for Exemption and the instructions on how to complete it can be found in Appendix B of the *Manual*.

## **Audit Submission Requirements**

According to the Audit Law, audits for all local governments except school districts are required to be submitted to the Office of the State Auditor no later than seven months after the end of the local government's fiscal year. For most entities, this is July 31. School district audits are due to the Office of the State Auditor and the Colorado Department of Education six months after the June 30 fiscal year-end, or December 31.

The Audit Law contains a provision for an extension not to exceed 60 days for submitting audits. An extension may be granted upon written request to the Office of the State Auditor. The written request should be submitted no later than the due date of the audit.

The following number of copies should be submitted when filing :

Counties should submit three copies to the Office of the State Auditor so that one copy can be forwarded to the Department of Local Affairs and one to the Department of Human Services.

School districts should submit one copy to the Office of the State Auditor and one copy directly to the Colorado Department of Education.

All other types of governments should submit two copies to the Office of the State Auditor so that one copy can be

forwarded to the Department of Local Affairs.

The Office of the State Auditor retains one copy of all local government audited financial reports as a public record available for public inspection. Audit reports are retained for seven years.

A complete copy of the Local Government Audit Law can be found within the Statutes chapter of the *Manual* under General Local Government - Related Statutes.

## **Other State Reporting Requirements**

In November 1992, Colorado voters approved an amendment to the State Constitution, Article X, Section 20, known as the Taxpayer's Bill of Rights (TABOR). TABOR imposes significant financial reporting requirements on state and local governments in Colorado. For detailed information about TABOR reporting, see the TABOR section of the *Manual*.

According to Section 43-2-132, C.R.S., municipalities and counties receiving Highway User Tax Funds must include an audited schedule of highway receipts and expenditures in their audit report. For contact and Web site information for Highway User Tax, please refer to the State Organizations, Colorado Department of Transportation section of the Contacts chapter of the *Manual*.

Section 29-1-603, C.R.S., requires school districts to include audited supplemental schedules of receipts and expenditures for each fund and a calculation of fiscal year spending under TABOR in their audit report. In addition, school districts must utilize the Financial Policies and Procedures Handbook adopted by the State Board of Education to



obtain budget development, financial record keeping, and financial presentation guidance (Section 22-44-204(3), C.R.S.). For contact and Web site information for school districts, please refer to the State Organizations, Colorado Department of Education section of the Contacts chapter of the *Manual*.

The Local Government Budget Law requires each government to submit a copy of its budget to the Department of Local Affairs, Division of Local Government. For further information about Budget reporting requirements, see the Budget chapter within the *Manual*.

GASB 34 requires that budgetary comparisons be provided for the general and all major special revenue funds. In addition, Section 29-1-605, C.R.S., requires a comparison of actual figures with budgeted figures for each fund or activity for which a budget has been prepared. For further information about Audit law requirements, see the Audit Law chapter within the *Manual*.

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*State of Colorado*  
*Financial Management Manual*  
*A Guide for Colorado Local Governments*

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**Cash Management and Investments**

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# *State of Colorado*

## *Financial Management Manual*

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## **Cash Management and Investments**

### **Introduction**

A basic definition of cash management is that it encompasses all the activities a local government will undertake to maximize its cash availability and to maximize interest earnings on any of its idle cash. Cash management has developed into a comprehensive system that maximizes cash availability and investment yield (interest earnings) in order to pay for the services the government provides while protecting the government's assets.

In order to manage cash wisely, a local government should examine its internal procedures to collect revenue, to make disbursements, and to make purchases. Greater efficiencies in collecting revenue (making cash available) and better timing in making disbursements (keeping cash for as long as possible) make more cash available for investment. The government's internal activities also interact with various external institutions such as banks and investment firms. It is important that the local government determine what services it may need from these institutions, what competitive prices are for the services, and which services will best protect the government's assets and promote its cash management goals. In Colorado, state

statutes determine which banks may be used for the deposit of public funds and state statutes identify which securities public funds may be invested in. These statutory restrictions are identified in the Statutes chapter of the *Manual*.

### **Cash Management**

Financial officials of governmental entities are finding it necessary to place greater emphasis on cash management. As time passes and revenues, such as tax-derived revenues, decline, greater demands are placed on government officials to use better cash management techniques and prudent fiscal management to increase revenues.

Cash management involves accelerating the receipt of revenue, making disbursements on a timely basis (taking advantage of discounts and avoiding penalties for late payments), and forecasting cash flow to identify what funds are available for investment. Investing, in turn, is done in a manner that safeguards principal by minimizing risk, provides required liquidity, and maximizes interest income.

### **Cash Flow**

In order to manage cash wisely, financial managers need to understand and be able to predict cash flow. Understanding cash flow

requires knowledge of when and how much revenue will be received at a given time and how much and when payments of a substantial amount (such as payroll or debt service) must be made. By understanding cash flow, an entity can increase the return on its investments by collecting and investing revenues as soon as possible and for as long as possible.

Cash flow forecasts should incorporate historical data (from audited financial statements if possible) and future estimates of all of a local government's disbursements and receipts which flow through its bank accounts. Forecasts are tabulated on a monthly basis, and cover at least a 24-month period: i.e., the past 12 months and the upcoming 12 months. As more experience is gained in estimating future cash flows, projections may be expanded to a weekly basis and even a daily basis for the upcoming weeks.

To aid in understanding cash flows, an exhibit has been provided at the end of this chapter.

The following are some suggestions that can aid in managing the timely collection of revenues and the distribution of payments.

- ▶ Process billings for services performed on a regular and timely basis.
- ▶ Create easier methods for payment of taxes or fees for taxpayers and clients. For example, receiving credit card payments.
- ▶ Develop revenue collection policies and procedures that make it possible to have funds immediately available for investment on the same day of deposit.
- ▶ Develop disbursement policies and procedures for payments of substantial amounts.
- ▶ Ensure that all discounts are taken and avoid penalties for late payments.

## **Deposits and Investments**

An important part of cash management is the investment and/or deposit of a local government's cash. There are many factors local government officials should consider when investing or depositing public funds. These include state constitutional and statutory requirements and local resolutions and ordinances, the Prudent Person Standard, Safety/Liquidity/Yield (SLY) considerations, and other general suggestions.

### **State and Local Laws**

In all cases, government officials must know all legal constraints on investments whether they are based on the state constitution or statutes, on local resolutions or ordinances, or on federal tax law prohibitions or restrictions. Colorado statutes govern, with some exceptions, the deposit and investment of general government monies, of pension fund monies, and of certain special funds. Specific citations also exist for the deposit and/or investment of certain specified revenues. For example, under Section 29-1-801 et seq., C.R.S., revenue from land development charges imposed as a condition of approval for such development must be clearly identified, separately accounted for, and deposited in an interest-bearing account. Any interest or other earned income on



monies deposited in these accounts must be credited to the account.

### **Prudent Person Standard**

Local government officials investing public funds act in a fiduciary or trust capacity for those funds. A specific standard requiring prudence when acting in such a trust capacity is the “prudent person standard.” It derives from a finding in an 1830 Massachusetts court case (*Harvard College v. Amory*) which stated that trustees should:

... observe how men of prudence, discretion and intelligence manage their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income, as well as the probable safety of the capital to be invested.

Much of the original language from that case is echoed in current Colorado statutory requirements for fiduciaries. In Section 15-1-304, C.R.S., official custodians who make investments or deposits for local governments are obligated to exercise:

... the judgment and care, under the circumstances then prevailing, which men of prudence, discretion, and intelligence exercise in the management of the property of another, not in regard to speculation, but in regard to the permanent disposition of funds, considering the probable income as well as the safety of capital.

The prudence standard has been updated in Colorado in the Uniform Prudent Investor Act (Section 15-1.1-101 et seq., C.R.S.) as the “prudent investor rule.” The prudent investor rule is now applied to the total portfolio rather than to individual

investments, among other changes. The fiduciary’s standard of care requires that the trustee:

... invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill, and caution.

The definition of this standard of care is lengthy and includes:

... A trustee’s investment and management decisions respecting individual assets must be evaluated not in isolation but in the context of the trust portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the trust.

The Government Finance Officers Association revision of *Investing Public Funds* by Girard Miller suggests sample investment policy language for a prudence standard, as follows:

... The standard of prudence to be used by investment officials shall be the “prudent person” standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidation

and the sale of securities are carried out in accordance with the terms of this [investment] policy.

Whether the Colorado statutory “prudent person standard” or the “prudent investor standard” is applied in a local government depends on the investment statute which applies to the government’s funds and the prudence standard that statute references. If no prudence standard is referenced, then the responsible parties (official custodians) must adhere to the prudent investor standard.

### **“SLY”**

Government officials must also consider the following when investing public funds. The acronym “SLY,” from the first letter of the words safety, liquidity, and yield describes the order of importance of characteristics of securities bought with public funds.

**1) Safety of Funds:** Investments should be made in securities which lessen the potential for capital losses arising from changes in market value (price), credit risk of issuer, and/or default.

**2) Liquidity of Funds:** Investments, if possible, should be made so that maturity dates coincide with dates of disbursement needs. In doing so, early liquidation penalties and market risks will be avoided. Also, while receipts and disbursements can be predicted with reasonable accuracy, some funds should be invested on a daily basis to allow for unexpected events.

**3) Yield:** Investment quotations should be solicited for a variety of securities from different banks, investment pools, and financial advisors in order to determine which securities will provide the greatest yield. At the same time, consideration must be given to costs (e.g.: commissions and

discounts) related to the transaction(s) in question.

### **Other Suggestions**

Don’t make investments you don’t understand. Don’t let yourself be pressured into investing. If a salesperson declares that an investment is “too good to pass up,” beware that it is probably high-risk (and, possibly, illegal under Colorado local government investment law). Check on the history of any firm and broker you are thinking of working with. The National Association of Securities Dealers (NASD) maintains a central registration depository. Keep careful records as to custodianship of your securities and regarding your earnings. For contact and Web site information for NASD, please refer to the Professional and Other Types of Organizations, National Association of Securities Dealers section of the Contacts chapter of the *Manual*.

## **Colorado's Public Deposit Protection Act (PDPA)**

The Public Deposit Protection Act (PDPA), Section 11-10.5-101 et seq., C.R.S., became effective in 1989. It was enacted to ensure the preservation and protection of public funds held on deposit by a bank which are either: (a) not insured or (b) the amount of public funds held by the bank is in excess of the insured limits of federal deposit insurance offered by the Federal Deposit Insurance Corporation (FDIC) of \$100,000 per account. It also ensures an expedited repayment of funds in the event of the default and liquidation of a public depository.

The PDPA requires that local governments make deposits only in banks that meet the

criteria for “eligible public depositories.” In order to be designated an eligible public depository, a bank must meet certain criteria. Local government officials and bank officials have certain responsibilities under PDPA regarding the protection of public funds.

If a bank loses its certification of “eligible depository”, the banking division gives the bank a certain date by which it must close out the public accounts. The bank notifies all the local governments of that date. The Division of Banking will require verification that all the public accounts have been closed.

## **The Official Custodian’s Responsibilities**

Official custodians are designees of the local government with authority, including control, over public funds. If they elect to place public funds in banks or savings and loan associations, they must:

- ▶ Deposit funds only in banks and savings and loan associations which have been designated to be an “eligible public depository” by the Colorado banking commissioner or the state commissioner of financial services pursuant to Sections 11-10.5-101 and 11-47-101 et seq., C.R.S., respectively. (See Exhibit 2 at the end of this chapter for a sample designation certification copy request letter.)

### **Banks:**

A list of Eligible Public Depositories may be obtained from the Colorado Division of Banking Web site. For contact and Web site information for the Colorado Division of Banking,

please refer to the State Organizations, Colorado Department of Regulatory Agencies section of the Contacts chapter of the *Manual*, at that Web site select Public Deposit Protection then select Public Deposit Protection Act Eligible Depositories.

### **Savings & Loans:**

A list of Eligible Public Depositories may be obtained from the Colorado Division of Financial Services Web site. For contact and Web site information for the Colorado Division of Financial Services, please refer to the State Organizations, Colorado Department of Regulatory Agencies section of the Contacts chapter of the *Manual*, at that Web site select Eligible Public Depositories.

- ▶ Inform the eligible public depository that the public funds on deposit are subject to the provisions of the PDPA before entering into a depository agreement (See Exhibit 2 at the end of this chapter.)
- ▶ Maintain documents or other types of verification documentation necessary to properly identify public funds in question.
- ▶ Submit an application to the Division of Banking for assignment of account identification numbers which will be used to identify public funds which are subject to federal deposit insurance and/or subject to collateral requirements. Note that these identification numbers do not change when funds are moved to a different bank. PDPA Account Number Application forms can be obtained from the Colorado Division of Banking. For contact and Web



site information for the Colorado Division of Banking, please refer to the State Organizations, Colorado Department of Regulatory Agencies section of the Contacts chapter of the *Manual*.

Any official custodian who acted in good faith in selecting, designating, or approving any eligible public depository for the deposit of public funds shall not be liable for any loss of public funds deposited in an eligible public depository if such loss is caused by a default of the depository. (Section 11-10.5-111(4)(a), C.R.S.)

**Q. What are the repercussions of having illegal deposits?**

**A.** Any official custodian who violates the Colorado public deposit statutes is **guilty of a misdemeanor** and, upon conviction thereof, shall be punished by a fine of not less than \$200 nor more than \$500, which fine is mandatory and may not be reimbursed by the public entity. Upon conviction, the court may rule that the official custodian be removed from public office. (Section 11-10.5-111(4)(b), C.R.S.)

## **Eligible Public Depositories**

PDPA states that no bank may hold public funds unless such bank has been designated as an “eligible public depository.” A bank must apply to the Banking Board to request such a designation. The Colorado Banking Board designates a bank as an eligible public depository if it meets certain criteria which include that deposits are insured or guaranteed by federal deposit insurance; that the bank meets capitalization standards set by the Banking Board; and that the bank

agrees to abide by all PDPA regulations and reporting and examination requirements set forth by the Banking Board. The bank must comply with the Board’s rules and regulations regarding what instruments and obligations can be used as eligible collateral for the public deposits not covered under federal deposit insurance. Each eligible depository must submit at least monthly reports to the Banking Board that demonstrate its full compliance with PDPA. The bank must also submit to an annual audit.

**Q. Is it legal to put money into a credit union?**

**A.** No. Credit unions are not recognized as “eligible public depositories” under Colorado statute.

## **Reporting Requirements for Cash Deposits (“GASB No. 3”) As Amended by GASB No. 40**

Since cash deposits and investments usually are the largest asset of a local government, possible investment losses are of great concern. The Governmental Accounting Standards Board (GASB) Statement No. 40, *“Financial Statements’ Required Disclosures Regarding Cash Deposits,”* (referred to as “GASB No. 40”) requires certain disclosures in local government financial statements regarding cash deposits. The purpose of the disclosures is to assist users of local government financial statements with information to assess the risk of loss associated with the local government’s cash deposits.



The risk of loss refers to the risk associated with outside parties' being responsible for the custody of a government's deposits. This risk is a custodial credit risk. This risk is minimized when deposits are insured. If the deposits are not insured or registered, risk is evaluated based on 1) **who** holds the collateral for the deposits and 2) **how** the collateral is held.

Disclosures must be made for any deposits that are uncollateralized. Disclosures must be made when the risk is high such as, *collateral is held by the eligible public depository's trust department* (the "who") but *not in the name of the local government* (the "how") or it *is held by the pledging institution itself* (the "who") but *not in the name of the local government* (the "how").

**Q. Are deposits that are covered by PDPA subject to custodial credit risk?**

**A.** No. There is no custodial credit risk for public deposits collateralized under PDPA. PDPA, as created by Colorado Statutes, is a single financial institution collateral pool. The "held in the name of the government" requirement has been met, in substance, with the required 102 percent collateralization, the Division of Banking monthly verification of the fair value of the collateral, the banking reports providing the depositors name, and the local government custodians providing their required information.

## Banking Services

Public finance officers have the responsibility to solicit banking services from financial institutions that are fiscally sound, that will provide needed banking services in a timely manner, and that have been designated as an "eligible public

depository" by the Colorado Banking Board. In doing so, the safety of public funds is ensured, and cash management activities are likely to be more efficient and effective.

1. Periodically initiate competitive-bidding and negotiation processes, in accordance with state and local laws and regulations, for major banking services. The processes should include requests for proposals and should cover services, fees, earnings credit rates, and availability schedules for deposited funds.
2. Have contracts for banking services that specify services, fees, and other components of compensation.
3. Evaluate the relative benefits and costs of paying for services through direct fees, compensating balances, or a combination of the two. Compensating-balance arrangements can offer convenience and seemingly low costs. However, because of uncompetitive earnings credit rates, reserve requirements, and the insurance fees on deposits, compensating banks through fees or a combination of fees and balances generally is financially advantageous.
4. Optional banking services that may be available include:
  - a. controlled disbursement accounts.
  - b. zero-balance accounts.
  - c. positive-pay services.
  - d. reconciliation services.
  - e. lock-box services.

- f. electronic-balance and transaction-reporting services.
- g. electronically placed stop payments.
- h. electronic payments.
- i. electronically transmitted analysis statements.
- j. electronic or digitized storage of paid checks.
- k. overnight sweep accounts.
- l. safekeeping and custody arrangements.
- m. credit card receipt merchant services.
- n. procurement cards

These should be evaluated based on the needs of the local government and the related costs and benefits.

#### **Q. Are CDs deposits or investments?**

A. Purchases of certificates of deposit ("CDs") are a **deposit** of public monies. Deposits are only permitted in "eligible public depositories"; out-of-state banks are not "eligible public depositories"; therefore, holding a CD in an out-of-state bank is not permitted.

## **Investment in Securities by Public Entities**

Colorado local governments may invest monies they have on hand that are in excess of what is needed to operate on a day to day basis. The finance officials who have control over these monies have a fiduciary responsibility in how they manage these funds. Investing the excess revenue may be wise management of assets if interest earnings can accrue to otherwise idle assets.

However, the safety of the funds, or the preservation of capital, must be the first concern for the finance official. The types of securities and the length of any investment must be examined in terms of safety, liquidity, and yield. Another consideration is the legal or political restraints placed on investments. In Colorado, local government investment is statutorily limited. *Check the most recent version of Colorado statutes often to ensure compliance with allowable investments.*

### **Written Investment Policies**

It is recommended that a written investment policy be adopted by any local government planning to invest. A sample investment policy to use as a beginning point for drafting your own policy is available from the Government Finance Officers Association (GFOA). For contact and Web site information for GFOA, please refer to the Professional and Other Types of Organizations, Government Finance Officers Association section of the Contacts chapter of the *Manual*, and at that Web site select Special Reports/Samples. A generic sample of an investment policy is also available from the Association of Public Treasurers. For contact and Web site information for the Association of Public Treasurers, please refer to the Professional and Other Types of Organizations, National Association of State Auditors, Comptrollers and Treasurers section of the Contacts chapter of the *Manual*, at that Web site select Publications, then select Model Investment Policy. Various state agencies, such as the Division of Local Government and the State Treasurer's Office, also provide technical assistance to local governments in drafting investment and other cash management policies.

In addition Section 24-75-601.1(2.3) C.R.S. requires public entities to adopt criteria for the selection of broker-dealers for any term securities except for bond proceed funded investments.

## **Statutory Investment Guidelines** (Statute: Section 24-75-601, C.R.S.)

### **Application**

The following listing of statutorily decreed legal investments applies to all governmental entities and funds (except pension funds) but does not limit the power of 1) a public entity's investment of public funds as permitted under any other valid law; and 2) a home-rule entity's investment of public funds as permitted under its charter.

### **Custody of Investment Securities**

Unless otherwise stated, all investments must be held in the local government entity's name, or in the custody of a third party on behalf of the local government, or in a custodial account with an eligible public depository or securities firm on behalf of the local government.

### **Maximum Maturity**

The maximum maturity date for all securities shall be no more than **five** years from the date of purchase unless otherwise authorized by the governing body, with some shorter maximum maturities for certain types of securities noted under limitations below.

### **Coupon Rate Fixed at Settlement**

Public funds shall not be invested in any security on which the coupon rate is not fixed, or a schedule of specific fixed coupon rates is not established, from settlement until maturity, other than shares in qualified money market mutual funds, unless the coupon rate is established by reference to specified rate indices, such as the U.S. dollar London interbank offer rate ("LIBOR") of one year or less, or the rate for a U.S. Treasury security with a maturity of one year or less, or the rate of a municipal bond index, or to the cost of funds index, or the prime rate. (Section 24-75-601.1(1.3), C.R.S.).

### **Additional Guidelines**

- Home-rule cities, towns, or counties should review their respective charter provisions to determine which securities are legal investments.
- This section of statute does not apply to public funds held or invested as part of any pension plan (which includes the Public Employees Retirement Plan and Trust managed by School Boards of Education), any full or supplemental retirement plan, or deferred compensation plan. (Section 24-75-601.1 (4), C.R.S.)
- Local governments considering investing in obligations of the Student Loan Marketing Association (SLMA), known as "Sallie Mae's," are strongly urged to obtain a legal opinion as to the legality of these instruments under the legal investments statute.



- The definition of “Securities” for purposes of public funds includes:
  - Bill
  - Note
  - Bond
  - Bankers’ Acceptance
  - Commercial Paper
  - Repurchase Agreement
  - Reverse Repurchase Agreement
  - Securities Lending Agreement
  - Guaranteed Investment Contract
  - Guaranteed Interest Contract
  - Annuity Contract
  - Funding Agreement
  - Certificate or other evidence of indebtedness
  - or interest in all of the foregoing

**Limitations:** No security held for public fund investment can be convertible to equity or represent an equity interest. Also, securities must be denominated in the currency of the United States.

**Q. How do allowable investments differ for general funds and for pension funds?**

**A.** There are some restrictions which apply. It is necessary that you read the various statutes that apply to pension plan investments. Some factors, but not all, affecting pension plan investments include whether the plan is for volunteer firefighters, or paid firefighters and police; whether the members are “old hire”; whether the plan is affiliated with the Fire and Police Pension Association (FPPA); and whether the plans are for non-fire or police local government employees.

## Investment Directory

### Legal Investments of Public Funds - (Statute: Section 24-75-601.1, C.R.S.)

- 1) U.S. Treasury Bills and Notes  
(including inflation indexed securities)
- 2)
  - a. Federal Farm Credit Bank
  - b. Federal Land Bank
  - c. Federal Home Loan Bank
  - d. Federal Home Loan Mortgage Corporation
  - e. Federal National Mortgage Association (FNMA)
  - f. Export-Import Bank
  - g. Tennessee Valley Authority
  - h. Government National Mortgage Association (GNMA)
  - i. The World Bank
  - j. Obligations of any other U.S. agency if control of the agency by the U.S. is at least as extensive as those investments mentioned above.

**Limitations:** The security must have the highest rating category of at least two nationally recognized rating agencies at the time of purchase. See Section 24-75-601.1(1)(b)(II), C.R.S.

**Q. Are investments in a broker’s GNMA pool legal?**

**A.** State statute allows local governments to invest in any security issued by the Government National Mortgage Association (GNMA). Purchasing GNMA securities from a broker is fine. However, derivative securities backed by GNMA securities, created by brokers, are not legal investments.



- 3) General Obligation (G.O.) Bonds of any state, District of Columbia, U.S. Territory, or any of their subdivisions. (This includes the State of Colorado and its related entities and Colorado Local Governments and their related entities.)

**Limitations:** The security must have one of the two highest rating categories of at least two nationally recognized rating agencies at the time of purchase. The maximum maturity date for these securities shall be no more than three years from the date of purchase unless otherwise authorized by the governing body.

- 4) Revenue Bonds of any state, the District of Columbia, a U.S. Territory, or any of their subdivisions.

**Limitations:** The security must have the highest rating category of at least two nationally recognized rating agencies at the time of purchase. The maximum maturity date for these securities shall be no more than three years from the date of purchase.

- 5) Any obligation, certificate of participation, or lease-purchase of the investing public entity.
- 6) Any interest in any local government investment pool organized pursuant to Section 24-75-701, et. seq., C.R.S.
- 7) Repurchase Agreements in securities listed in (1) or (2) above, if the criteria below is met.

**Limitations:** Securities of the U.S. Government or its agencies as listed above which must have a coupon rate that is fixed from the time of

settlement until its maturity and must be marketable. Market value must at all times be at least equal to funds invested. Title or perfected security interest in securities must be transferred to the public entity or its custodian. Securities for a Repurchase Agreement must be actually delivered versus payment to the public entity custodian or third-party custodian or trustee for safekeeping. Collateral securities for a Repurchase Agreement must be collateralized at no less than 102 percent and marked to market no less than weekly. The securities subject to the repurchase agreement may have a maturity in excess of five years. The period from the date of settlement of a repurchase agreement to its maturity date shall be no more than five years unless otherwise authorized by the governing body

- 8) Reverse Repurchase Agreements in securities listed in (1) or (2) above, if the criteria below is met.

**Limitations:** Any necessary transfer documents must be transferred to the investing public entity. Cash must be received by the investing public entity or custodian acting on behalf of the investing entity in a deliver versus payment settlement. The cash received must be collateralized at no less than 105 percent and marked to market no less than weekly. The repurchase agreement may have a maturity in excess of ninety days unless otherwise authorized by the governing body. The counterparty must meet the conditions of an issuer under Section 24-75-601.1(1)(m), C.R.S. The value cannot exceed 80

percent of the total deposits and investments of the public entity. No securities can be purchased with the proceeds of the reverse repurchase agreement that are greater than the original reverse repurchase agreement at maturity.

- 9) Securities Lending Agreement in which the public entity lends securities in exchange for securities authorized for investment, if all the criteria below is met.

**Limitations:** Any necessary transfer documents must be transferred to the investing public entity. Securities must be received by the investing public entity or custodian acting on behalf of the investing entity in a simultaneous settlement. The securities received must be no less than 102 percent of the value of the securities lent and marked to market no less than weekly. The counterparty must meet the conditions of an issuer under Section 24-75-601.1(1)(m), C.R.S. The agreement shall be approved and designated by written resolution adopted by a majority vote of the governing body of the local government. The resolution shall be recorded in the minutes.

- 10) Money Market Funds

**Limitations:** Must be registered as an investment company. Fund investment policies include seeking to maintain a constant share price. No sales or load fee can be added to the purchase or redemption price unless otherwise authorized by the governing body. The fund invests only in

securities that have a remaining maximum maturity as specified in rule 2a-7 of the federal "Investment Company Act of 1940," as long as such rule or amendment to it does not increase the maximum remaining maturity to a period greater than three years. The fund has assets of \$1 billion or more, or has the highest credit rating from one or more nationally recognized rating agency.

- 11) Guaranteed Investment Contract (GIC), Guaranteed Interest Contract, Annuity Contract or funding agreement

**Limitations:** Must be issued by an insurance company with a Colorado certificate. At the time of purchase, the issuing company's ability to pay claims must be rated in the highest rating category of two or more nationally recognized organizations which regularly rate the abilities of insurance companies to pay claims. The maximum maturity date for these securities shall be no more than three years from the date of purchase. The contracts or agreements with a maturity period greater than three years shall only be purchased with proceeds of sale of securities or proceeds of certificate of participation or lease-purchase. No refunding bond escrow may be invested in a GIC.

- 12) Corporate or bank security.

**Limitations:** Must be issued by a corporation or bank organized and operated within the United States and must mature within three years and must carry at least two credit ratings not below "AA- or Aa3" from any nationally recognized credit rating

agency; if the security is a money market instrument it must also have at least two credit ratings from nationally recognized credit ratings and a minimum rating of A1, P1, or F. The book value of investment in this type of debt shall at no time exceed 50 percent of the book value of the government's investment portfolio, or 5 percent of the book value of the entity's investment portfolio if the notes are issued by a single corporation or bank, unless otherwise authorized by the governing body.

**Legal Investments for Cities of 25,000 or More Population**  
(Statute: Section 24-75-605, C.R.S.)

The following applies only to cities of 25,000 or more population, for monies in special funds including policemen's pension, endowment, and trust funds.

**Limitation:** Portfolio requirements - At least 70 percent of the portfolio must be invested in:

- Bonds and warrants of U.S., State of Colorado, or any other state.
- G.O. Bonds of any Colorado city, town, or school district whose assessed valuation is greater or equal to \$2 million.
- First lien mortgages or GNMA's or any Colorado housing authority bonds.

**Limitation:** No more than 30 percent can be invested in:

- U.S.-based gas, telephone, electric, or waterworks corporation notes, bonds, and debentures.

Other approved investments:

- CDs or share certificates of savings and loans or banks.
- Common or preferred stock, or bonds of U.S. - based corporations which are on the national stock exchange.
- All other legal investments.

**Volunteer Firefighter Pension Act**  
(Statute: Section 31-30-1113, C.R.S.)

The Volunteer Firefighter Pension Act applies to fire protection districts, county improvement districts providing fire protection service, and municipalities which maintain a volunteer fire department. The act applies to pension funds created by these entities after June 5, 1995. Funds may be invested in:

- U.S. Treasury Bills, Notes, Bonds.
- Bonds of the State of Colorado.
- G.O. Bonds of Colorado statutory and home rule-municipalities.
- Noninsured trust pension plan with a bank or trust company authorized as a trustee in this state.
- Public private initiative with the Department of Transportation;

bonds issues for turnpikes, anticipation warrants for toll tunnels, or any other public-private initiative program for transportation system projects in Colorado.

Funds may also be **deposited** in any state or national bank or state or federally chartered savings and loan association in the state.

### **Local Government Investment Pools** **(Statute: Section 24-75-701, C.R.S.)**

Local governments may pool monies not immediately needed in a “local government investment pool trust fund.” The pooling of monies permits local governments to take advantage of short-term investments for which they individually may not have sufficient minimum capital.

**Limitations:** The pool may only invest in securities in which all participating local governments may individually invest. The Colorado Commissioner of Securities administers and enforces the requirements of creating and operating a local government investment pool. The Securities Commissioner’s office maintains a list of active local government investment pool trust funds. For contact and Web site information for the Division of Securities, please refer to the State Organizations, Colorado Department of Regulatory Agencies section of the Contacts chapter of the *Manual*.

### **Investments Held by Banks**

Eligible public depositories (PDPA-designated banks) may act as agents on

behalf of any official custodian of public money and invest said public monies. Any investments made by these institutions on behalf of local governments must be in securities authorized by Section 24-75-601.1, C.R.S. The eligible depository must keep accounting records which clearly distinguish between its investment activity on behalf of the local government and its investment activity to meet its public depository “eligible collateral” requirements. Monies invested by an eligible public depository acting as an agent for a local government are **not** insured by FDIC.

### **Illegal Investments**

While not a complete list, the following are not legal investments for local governments:

- Article XI, Section 2 of the State Constitution prohibits local governments from owning shares of corporations.
- Certificates of Deposit or any other type of deposit in out-of-state banks or savings and loans are not legal deposits or investments.
- Equities (common or preferred stock of corporations) or any securities convertible into equity investments.
- Real estate.
- Commodity or futures
- Collateralized Mortgage Obligations (CMOs)
- Unit investment trusts (UITs).
- Art and other collectibles.



**Q. What are the repercussions of having illegal investments?**

**A.** • If the local government has invested in illegal investments, it must divest itself of the illegal securities within six months of the initial disclosure of the existence of such investments. (Section 24-75-601.3, C.R.S.)

• Any person who sells or causes to be sold to a public entity any unlawful investments, and who knew or should have known that said investment was not lawful, shall be liable for any loss of investment principal and other reasonably foreseeable costs resulting from such loss, including attorneys' fees and interest earnings. (Section 24-75-601.5, C.R.S.)

• The public entity may demand, through the State Treasurer's Office, that any firm which sold the investments which failed to comply with the law must repurchase such financial instruments for the greater of the original purchase principal amount or the original face value, plus any accrued interest, within one business day of the demand. (Section 24-75-601.1(1.5) C.R.S.)

**Reporting Requirements for Investments ("GASB No. 40")**

GASB No. 40 establishes reporting requirements for investments similar to those required for deposits discussed earlier in this chapter.

Custodial credit risk for investments is the possibility that a local government may not recover the value of its investments that are in the possession of an outside party if the counterparty of the investment transaction fails.

If you have unregistered investments then a custodial credit risk disclosure is required. This includes uninsured and unregistered securities held by a *bank's trust department* (the "who"), but *not in the name of the local government* (the "how"). Since there are many variations to the "who" and the "how," it is recommended that you consult with your local auditor to determine the level of risk associated with the custodianship of your investments and the required disclosures.

**NOTE:** Investments may be insured through the Securities Investor Protection Corporation (SIPC). The insurance is available through brokers, and coverage is up to \$500,000. More information may be obtained at the Web site. For contact and Web site information for SIPC, please refer to the Professional and Other Types of Organizations, Securities Investor Protection Corporation section of the Contacts chapter of the *Manual*.

In addition to custodial credit risk, there are four other risks for investments defined by GASB No. 40 that may require disclosure:

- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. A local government should disclose the credit quality ratings of investments as described by nationally recognized rating agencies.
- Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. A local government should disclose the amount and issuer of any investments in any one issuer that represent 5 percent or more of the

total investments held by the government.

- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. There are five methods that can be used to disclose interest rate risk: segmented time distribution, specific identification, weighted average maturity, duration, and the simulation model.
- Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The local government should disclose the U.S. dollar balances in foreign currencies, organized by currency denomination and, if applicable, investment type.

**Q. Do COLOTRUST and C-SAFE have any required disclosures under GASB No. 40?**

**A.** Yes. Both of these pools have credit quality ratings that can be found on their credit ratings reports that are located on their respective websites at [www.colotrust.com](http://www.colotrust.com) and [www.csafe.org](http://www.csafe.org). COLOTRUST and C-SAFE are external investment pools that are 2a7-like pools as identified in GASB No. 40. Therefore, they are not subject to interest rate risk disclosures.

## **Reporting Requirements for Investments (“GASB No. 31”)**

The Governmental Accounting Standards Board released “GASB No. 31” in 1997. This statement establishes additional accounting and financial reporting standards

for local government investments and external local government investment pools. It requires local governments and local government investment pools to report investments in their annual financial statements at “fair value” (formerly known as “market value”) on the balance sheet and to report corresponding increases or decreases in fair value in the operating statement (or other statement of activities).

Unrealized gains and losses are those gains and losses that are determined by comparing the current fair value of a government’s investments to the fair value measured at a prior point in time. The gains and losses have not been “realized” by selling the investments. This is an optional disclosure.

Local government officials need to be able to inform users of the financial statements of the positive or negative impact of the reported gains or losses on the financial condition of the local government.

It is optional for local governments to report the fair value of certain money market investments that have a remaining maturity at the time of purchase of one year or less. Money market investments are defined in the GASB Codification Section 150.107 as short-term, highly liquid debt instruments including commercial paper, bankers acceptances, and U.S. Treasury and agency obligations. Contact your accounting professionals to provide guidance as to which securities are considered short-term.

## **Required Disclosures**

- 1) The methods and significant assumptions used to estimate the fair value of investments.

2)The policy for determining which investments, if any, are reported at amortized cost.

3)Investments in an external investment pool:

a) If not SEC-registered, a brief description of any regulatory oversight for the pool and whether the fair value is the same as the value of the pool shares

b) Any involuntary participation.

c) If local governments cannot obtain information from a pool sponsor to determine the fair value of investments, the methods used and significant assumptions made in determining that fair value and the reasons to make an estimate.

4) Income from investments associated with one fund that is assigned to another fund.

contact and Web site information for the Division of Local Government, please refer to the State Organizations, Colorado Department of Local Affairs section of the Contacts chapter of the *Manual*.

In Colorado, the reporting of gains and losses is complicated even more by TABOR, the Taxpayer's Bill of Rights (State Constitution Article X, Section 20). Depending on how a local government measures its revenues for the purpose of compliance with certain TABOR limits, the fair value increases of its investments may need to be included in its revenue calculations. In practice, many local governments do not consider this paper gain or loss to be subject to TABOR. For further guidance, contact your legal counsel and auditor.

If you have any questions regarding the information in this chapter, please contact the Division of Local Government. For

## Exhibit 1

## NAME OF GOVERNMENTAL AGENCY - Example for a General Purpose Entity

[illegible]



## **Exhibit 2**

### **Compliance Letter**

Date

Respective Office of Bank

Name of Bank

Street Address

City, State Zip Code

Dear

As the official custodian of the funds of (name of local government), I am requesting that you forward a copy of the Colorado Banking Board Eligible Public Depository Designation Certification.

Also, pursuant to the provisions of Section 11-10.5-111(2), C.R.S., I am informing you that any and all (name of local government) funds deposited in your bank are subject to the Public Deposit Protection Act, Section 11-10.5-101, et seq., C.R.S.

Sincerely,

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*State of Colorado*  
*Financial Management Manual*  
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# Budgeting

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# *State of Colorado*

## *Financial Management Manual*

### *A Guide for Colorado Local Governments*

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## **Budgeting**

### **Introduction**

The Colorado Local Government Budget Law, Section 29-1-101 et seq., C.R.S., requires an annual financial plan (budget) to be completed by most local governments. This chapter is designed to help local government officials develop their financial plan (budget) in compliance with the Budget Law. Although school officials may find the information in this section helpful, it is intended for officials in counties, municipalities, and special districts. School officials should refer to the *Financial Policies and Procedures Handbook* adopted by the State Board of Education.

Please note that sample budget documents, a budget calendar, a listing of statutory mill levy limits, and a glossary of terms have been included within Appendix C of the *Manual*. In addition, the complete text of the Local Government Budget Law has been included within the Statutes chapter of the *Manual*.

### **Importance of a Budget**

The reason the budget is so important is that it serves multiple functions: it is a policy document, a financial process, an operations guide, and a communications device.

As a *policy document*, the budget permits elected officials to express the mission, priorities, goals, and objectives of the government. Are there to be new programs? Are there existing services which should be expanded? reduced? continued at the same level? eliminated? Elected officials enjoy some discretion over the types and levels of service to be provided, although legal and political considerations limit this discretion somewhat.

The budget is a *financial process* in that it requires consideration of revenues projected at least through the following year and expenditures associated with completing the policy goals. This requires gathering financial information, discussions of the expenditure plan and revenue alternatives, prioritization of program needs, and decisions on the future direction of the government.

After the budget is adopted, it becomes a *guide to the operations* of the government. As actual events occur, such as revenue collection, regular expenditures, and even the occasional emergency, the actual history can be compared with what was expected at the time the overall plan was adopted. This can be a valuable aid in predicting revenue or expenditure problems before they become too serious to easily solve.

An important aspect of the budget as an operational guide is the recent trend toward



program performance evaluation. The budget can establish the criteria which will be used to measure success in achieving the annual goals of the government.

Finally, the budget is a *communications device*, as the governing board uses it to explain to citizens, the State, and the occasional reporter or researcher how the goals of the government are being realized.

## Goals and Objectives

Goal setting is an annual activity of the governing board. The government must gather information and consider contingencies as thoroughly as possible. Total needs should not be based on a "wish list," but on reliable, measurable, and workable service objectives. One of the government's goals, for example, may be to provide a "full service" street maintenance program that calls for street resurfacing five years after construction. If five miles of street have reached that age, then five miles should be resurfaced. Or perhaps a goal of increased emergency response time has been set by the board. The fire department might want to have a service objective of being on the scene of a fire within a specified time period. The current response time or current resurfacing costs when compared with the full-service time or the full-service maintenance program provides a basis for calculating the increased cost of full service. Full-service is the level of service desired by the community without concern for actual cost. It is the ideal level that will satisfy the needs of the community. It may be reasonable in both these examples to want to offer a full-service level in street maintenance programs or in fire prevention, but attaining these ideal full-service levels may not be possible with the resources available.

If the full-service level cannot be attained, it is important to know the gap between what the government can afford and what it might be able to do under ideal conditions. Deferring work may be unavoidable in some years, but the estimated cost of work postponed should be known. When the backlog is unknown, pressures can build on available resources from year to year. Reliable, complete, and accurate information forms the basis of careful projections. The various constraints on revenue virtually require the government to develop projections beyond the current budget cycle. Personal experience in budget preparation can also play a part in the planning process. Some people think of budgeting as an art as well as a science.

## Strategic Financial Planning

When making budget decisions each year, the government should consider the long-range impacts. All future costs should be examined. When considering a capital improvement, for example, it is important to determine its ongoing operating costs and the source providing funds for these costs.

The ability to raise revenue is part of selecting service levels. It is important that the government does not limit analysis to simply the monies generated by the existing revenue system, but also considers potential future revenue sources and unused current options. This point is important for two reasons.

First, understanding the full range of possible revenue sources allows the government to determine its maximum fiscal capability, and can help avoid over reliance on one source. This exercise might reveal a revenue source not previously considered. Revenue and other

financing sources fall into tax (property, sales, etc.) and non-tax (debt proceeds, service charges, grants etc.) categories. The government's knowledge of the entire range of revenue options will enable it to develop a balanced revenue-raising structure. In some cases, constituents may favor one source over another, so it is important to know the revenue options.

A second benefit to studying revenue-raising ability is the potential to link activities with revenue sources. For example, public safety may be financed from property tax revenue since this is a stable revenue source, while a water department or an airport authority can be supported entirely from user charges. Such policies may be useful in achieving equity in the distribution of costs among users of the services. It may be more beneficial to the government to link more stable revenue sources to the most important public services.

**Caution: While it is important to consider revenue alternatives, realistic projections should be used when building the budget (e.g., using existing sales tax in developing the budget as opposed to potential sales tax from a proposed election that has not been held and may not pass).**

Ideally, a governing body should be presented with long-range financial plans in a time frame of anywhere from two to five years. Some local governments are incorporating this concept into two-year budgets and including a five-year capital improvement plan. Projecting revenues and expenditures for existing programs provides information on the adequacy of the current revenue structure, program areas where costs will increase the most, and the impact of long-term debt. In some high-growth communities, revenues may be increasing substantially. However, as

growth slows, the revenue growth will likely level off, while the cost of supporting services at the higher level may continue to increase. Projections should be based on justified assumptions, and may help avoid sharp unexpected increases or decreases in spending or revenue. Limitations on revenue require local officials to carefully project revenues, since "dips" or "peaks" in the revenue curve may drastically affect the government's ability to provide services.

## Politics, Conflict, and Policy Development

Budgets can often become mired in political issues because of the multiple demands on limited resources. Adopted budgets usually reflect the choices the governing body and the community make. However, no budget can completely satisfy everyone, and conflicts do occur within the government, between citizens and the government, and among special-interest groups.

For example, within the government itself, personnel costs are a common basis for conflict. Individuals or interest groups outside the government may challenge a budget because it spends too little for their particular program while allocating a larger amount to another program.

Public opinion also changes concerning government spending. One year, citizens may demand more government services and accept higher spending with few complaints. The next year, however, sentiment may shift and spending will be condemned. Some of the resulting conflicts cannot be avoided, but there are ways that they can be minimized.

One technique for minimizing conflict is for the governing body to establish policies for staff to utilize in preparing budget drafts. These policies should coordinate with other policies of the local government. Some examples might include a master plan, parks and recreation plan, or a financial management policy.

Budget guidelines should establish parameters and priorities that reflect decisions by the governing body on priority needs. Such a policy might adopt a certain annual percentage increase for salaries, perhaps a “cost-of-living increase” to keep up with inflation.

Local elected officials and staff involved in the budget process should keep in mind their responsibilities to establish and maintain practical and consistent policies which foster citizen confidence.

## Communicating the Budget to the Public

The budget is a communication instrument for informing citizens and others of the entity’s policies, goals and strategies. Making the budget “user-friendly” is, therefore, very important. Clear explanatory narrative, logical organization, and useful graphs and charts to supplement the numeric data make the budget accessible to non-financial members of the community. Public hearings regarding the budget are required to be publicized through the media and/or the posting of notices. Public hearings are the traditional forum for citizen input on the budget. Citizen input will be more likely if citizens understand the draft budget document.

Budget summaries, primarily in narrative, highlighting the important features of the budget and providing related information can be made available to citizens before the budget hearings. Several municipalities provide their citizens a *Budget In Brief* that gives a variety of information, from listing city officials and their telephone numbers to explaining “Where Your Tax Dollars Go.”

It is also important to periodically inform the public of projects and decisions affecting the government’s budget. The public should be informed about major changes in the revenue or tax structure resulting in revenue increases or decreases and the impact of these revenue increases or decreases on the programs paid by that revenue. A discussion of changes in program/activity personnel staffing levels and the impact on service delivery may also be of interest to the community. Some local governments **publish an annual report** to inform citizens about the budget and other interesting information about the government. Newspaper, radio, and television press releases are an effective means of informing the public. Coverage in the press will enhance the government's efforts to inform citizens about the budget and to discuss related policy issues. **Citizen budget advisory committees** have also been created by some local governments to allow input from citizens. These committees look at existing and proposed programs and recommend where resources should be concentrated. Some committees have succeeded in expanding participation, giving the government a greater degree of popular support and raising important issues.

The budget law requires that the draft budget be made available to the public in order to encourage citizen input. The budget message is required with the final budget. The budget



message will contain a discussion of specific budget issues and decisions.

## **Approaches to Budget Preparation**

Various techniques have been developed to make the process of preparing budgets more scientific and meaningful. The most common types are line-item and program budgeting, with information also presented on Incremental and Performance Based. Each of these techniques will be explained briefly.

**Line Item Budgeting** focuses primarily on the estimation of future specific expenses. Some examples would include salaries, benefits, supplies, utilities, and loan payments.

**Program Budgeting** (Sometimes referred to as Planning Programming Budgeting) is a method which starts with the goals of an organization and then outlines the programs needed to accomplish those goals. The cost of each program is then determined. If cuts are necessary, the board can state which goals will not be achieved in that budget year and why. The point is to see the big picture, to relate annual appropriations to long-range goals.

**Incremental Budgeting** is done by adding to the existing elements and expenses. In other words, it increases the expenditures and revenues by a percentage based upon inflation, and it allocates projected revenue among established programs. When using this technique, there is no analysis of

the effectiveness of programs or the impact of the budget on overall community needs.

**Performance-Based Budgeting** focuses budget decisions on results and outcomes. The budget is divided into major functions (e.g., public safety, public works, park, and recreation), each with various programs (public safety: police, fire, animal control). Each program will have activities and each activity will have performance units. A unit can be a department, a division, a section, or a team.

Each activity must yield an outcome (e.g., respond to calls about stray dogs within four hours) that is somehow measurable in terms of a goal. Performance measures using agreed upon indicators are developed and applied to the activities. There are input, output, outcome, and efficiency measures. Current emphasis is on outcome measures which evaluate quality and effectiveness rather than the number and type of activities engaged in. Data collection for outcome measures is often costly and difficult. It may also be difficult to prove that the results were due specifically to the service activity. For example, rather than measuring the number of staff hours spent on a job training program (an output), the performance outcome measure will focus on the number of welfare individuals the training program returned to work. Or rather than stressing staff hours spent on a piece of shop equipment, outcome will measure the length of time vehicles repaired with that machine will not need the same repair.

Other types of budgets include zero-based (ZBB) and management by objectives (MBO).



For contact and Web site information for the Department of Local Affairs, please refer to the State Organizations, Colorado Department of Local Affairs section of the Contacts chapter of the *Manual*.

## Types of Budgets

The task of preparing an annual budget might actually be described as a process of developing two budgets--operating and capital. **Operating budgets** include ongoing expenses associated with the delivery of programs and services. Costs include those for administration, operations, capital outlay, and debt service. Stable, reliable revenues are the driving machine of operating budgets. These include user charges and property taxes. Sales taxes may be a reliable revenue source, although not necessarily predictable in terms of collections, if the sales tax base is large enough and if it is not particularly dependent on the economy or on a particular market (such as tourism). The **capital projects budget** represents large expenditures for items that have a useful life in excess of one year and are not consumed when used. The capital projects budget can be used as a comprehensive or master plan for capital improvements (a capital improvement plan or "CIP") with projections to at least five years. The capital projects budget is prepared annually and projected to at least five years. Items or projects are rotated off once they are purchased, upgraded, or completed.

Usually these two budgets are developed separately. However, the interrelationship between the two should be recognized. For example, in anticipating building a fire station near a rapidly growing subdivision, the government must consider the impact on the annual operating budget that will result from

operating the new station. Equipment replacement, utilities, and personnel costs will all increase annually after the station is built. This capital project, therefore, will have a profound effect on future operating budgets. Consequently, while the job of preparing capital and operating budgets can be performed as separate tasks, the interrelationships between the two should be kept in mind. Care should be taken in identifying the revenue sources associated with the operating or capital budgets.

## Financing Improvements

How does a government pay for these improvements? The government can set aside monies until it has enough to pay for the improvements outright, or it can borrow the funds up front for the cost of the project. The advantages and disadvantages for each type should be examined. For example, saving for a major project can take a long time, may reduce the purchasing power of the set-aside dollars because of the time value of money, and future users benefitting from the project may not pay their fair share. Conversely, financing projects by borrowing funds will more equitably assess future users benefitting from the project, since they will be charged for the repayment. Since borrowed money is repaid with interest, the interest cost must be compared with the cost of saving to pay-as-you-go.

If a government decides to borrow money to pay for a capital improvement project, there are many different financing sources available including:

Bonds and other financing instruments.

Intergovernmental aid (i.e. grants and loans).

Lease-purchase agreements.

Voter-approved designated revenues.

A general discussion regarding these financing resources will follow. For contact and Web site information for the Division of Local Government, please refer to the State Organizations, Department of Local Affairs section of the Contacts chapter of the *Manual*.

## **Bonds and Other Financing Instruments**

Bonds are used primarily for projects that cost more than the entity can afford from current resources. The local government can raise capital by selling the bonds on the market and paying back the bonds with interest and principal. An advantage to using bonds is that repayment can be assessed more equitably against those benefitting from the project. Because repayment is spread over the useful life of the project, the cost is not assigned only to those taxpayers who happen to be residents during the year of construction. Thus, all persons who benefit from the project participate in the repayment.

Other financing instruments are often used by local governments as a result of difficulty in getting voter approval for a general obligation bond issue. Some types of other financing instruments are: Special Assessment Bonds, Special Improvement District Bonds, Tax Increment Financing Bonds, and Certificates of Participation (COPs).

Revenue, General Obligation bonds and Certificates of Participation will be discussed below.

## **Revenue Bonds**

Revenue bonds are securities whose principal and interest are typically payable from a specific revenue source of the government such as user fees. This can result in a reduced amount of discretionary revenue for other purposes. These bonds may require specific reserves to secure the bonds.

## **General Obligation (G.O.) Bonds**

General obligation (G.O.) bonds are securities whose principal and interest are typically payable from property tax revenue, although other revenue may be used. General obligation bonds are secured by the full faith and credit of the issuing government.

## **Certificates of Participation (COPs)**

Lease-purchase agreements that are marketed similar to tax-exempt debt are known as Certificates of Participation (COPs). A local government enters into an agreement with another party (the “lessor”) to lease an asset over a specified period of time at a predetermined annual cost. The lease payments are sufficient to pay for principal and interest on the leased asset. These lease payments are subject to an annual appropriation of revenues, creating a risk that a local government may fail to appropriate funds to make lease payments. The COPs have higher interest rates for this reason.

## **Intergovernmental Aid**

Intergovernmental aid includes resources such as grants that can be obtained from federal, state, or other local governments to fund capital improvements. Intergovernmental aid can be advantageous because part of the cost of the project is paid for by nonresidents.

This reduces the financial burden on residents of the entity receiving the grant.

Drawbacks associated with the use of intergovernmental aid center around the "red tape" aspects of this source of revenue. In most cases, the task of applying for funds involves several months during which the cost of the project may increase. In addition, many grant programs require adherence to specifications that can affect project costs. These can range from wage rates to materials to be used in the projects.

For additional information, see the Grants and Loans section of the Other Financial Management Issues chapter in the *Manual*.

## **Lease-Purchase Agreements**

Lease-purchase agreements represent another approach to financing capital projects. Lease-purchase agreements are long-term financial commitments that include provisions to allow an annual appropriation of the repayment amount; in other words, the local government may annually renew the agreement. Many local governments use this financing mechanism to acquire buildings and large equipment. Current legal rulings and accounting procedures should be reviewed before employing this financing approach.

## **Budget Projections**

### **Overview**

To prepare a budget, the government should project expenditures and revenue from current available data. The financial resources should be identified by source, and expenditures should be categorized by function.

The budget should be prepared using a classification of accounts comparable to that of the entity's annual financial statements. Uniformity will result if the budget, the accounting records, and the annual financial statements all follow a similar system. However, there are times when it is not possible to prepare the budget in the same manner as the financial statement. See Budgetary Accounting within the Accounting section of the *Manual* for additional information.

There are two major financial resources: year-end balances (beginning balances or reserves) and revenues.

To estimate the year-end balance for governmental funds, the government must take actual beginning fund balances, add actual revenues, and subtract actual expenses to-date of the current year budget, add projected revenues, and subtract projected expenses through year-end. This will yield a projected fund balance figure for year-end. Once accounting records are closed at the completion of the year, the estimated beginning fund balance for the next budget year should be compared with the actual. Any significant budget adjustments should be made immediately.

Revenue sources include taxes, fees, intergovernmental revenue, interest income, and sale of property. (Revenues for enterprise funds fall into two categories: operating, such as water user charges and fees for services; and nonoperating, such as property tax, other taxes, capital contributions [tap and development fees], and other financing sources, such as transfers.)

Review all current known revenues of the entity. Determine their continued availability



and new revenues to which the government may be entitled, for example specific ownership tax or lottery funds.

After compiling data on resources, the government must then collect and compile its expenditure data to be incurred for items in a budget year. The following are examples of various types of expenditures:

County Treasurer's Fees for Collections: Contact the County Treasurer for the percentage to be applied. This should be shown as an **expenditure**, not as a reduction of total tax revenue.

Personal Services: Salaries, both current and anticipated, for full-time and part-time employees, fringe benefits (based on the number employed), and the specified amounts required by contracts.

Supplies: Stationery, duplicating supplies, water treatment chemicals, fuel etc.

Purchased Services: Utilities, maintenance for equipment and buildings, travel, non-staff personnel (accountants, attorneys, engineers).

Building Materials: Concrete, metal, wood, etc.

Fixed Charges: Insurance, bonds, rental charge, etc.

Debt Service: Indebtedness due (principal and interest to be paid in the budget year according to schedule or contract).

Capital Outlay: Equipment, building, or land acquisition.

## Projecting Revenues and Expenditures

In budgeting it is important to accurately project revenues and expenditures because usually only limited funds are available to allocate for the government's services. The government must be able to pay for its budgeted services. It is illegal for a government to operate in a deficit position. As a rule of thumb, estimations of revenue should be low and estimates of expenditures should be high.

It is helpful to a local government in projecting revenues and expenditures to have information about its historical revenue and expenditure trends. A government can perform an historical trend analysis using its own data. To make a trend analysis the government must compile expenditure and revenue data for a period of at least seven years. The government may start with its major revenues and expenditures rather than every line item.

With the spreadsheet applications that are now available, after data entry, the data can be easily analyzed for trends. The analysis will reveal if the trends reflect no change, a constant dollar change, a constant percent change or a correlation change (the change is related to an outside condition, for example, salary increases are based on inflation). Generally, capital expenditures because of their relative size to all other expenditures, should be trended separately from operations. Their size can disproportionately affect the percent increase in a given year.



To understand the trends and to explain significant exceptions to the trend in any given year for any particular revenue or expenditure (such as bond proceeds or purchase of a fire truck), the government will examine internal information such as contracts and minutes, and must often rely on “institutional memory.”

The trends that the historical trend analysis reveals may be appropriate to apply to the budget for many items in the budget and if the government has no other information on which to base its revenue and expenditure budget estimates.

### **Revenue Projections**

Revenue can increase, decrease or stay the same as in the prior year. The rate of increase or decrease can be more or less than the rate of the prior year or years.

It is very important that the government identifies what its revenue sources are and how much revenue it collects from each source. Revenues should be classified as one-time revenues (e.g., grants) or recurring revenues (e.g., tax revenue or fees). The government should know all its possible revenue sources (and what is required to implement the collection of each), so that, if the need arises, the governing body can decide whether to use that new revenue source.

The government must understand the conditions that can affect each revenue source. Legal restrictions and economic conditions are the most common factors affecting revenues. A municipal sales tax percentage is restricted by the amount of the county sales tax and the state sales tax. The municipality may apply the sales tax to certain transactions and exempt other transactions, for

example, non-restaurant food. The amount of sales tax collection will be based on the taxable sales, which are affected by the economic health of the community.

Property tax revenue is another revenue that has legal restrictions placed on it. (See discussion on page 5-19). Property valuation reflects economic growth or decline and can affect property tax collections.

Revenue from fees and charges for utility service (such as water or electricity) are affected by usage. Generally, if usage increases, revenues will increase and if usage decreases, revenues will decrease. However, if fees and charges are increased to offset the decrease in usage, usage may decrease more because fewer customers may be able to afford the increased fee.

### **Expenditure Projections**

For many of the expenditures in the budget, it may be appropriate to use the projection factors derived from the trend analysis. However, the government must also consider the general economic conditions in the local and larger community and it must budget based on known costs: announced vendor price increases, personnel cost increases, personal service contract increases, required service level changes, capital projects, etc.

### **Contingency for Budget Shortfall**

To provide budget flexibility for unanticipated expenditure during the year a contingency line item may be added to the budget. The total budgeted expenditures, including this contingency line item may not exceed the total revenue plus beginning fund balance.

## Budget Responsibilities and Requirements

After deciding on goals and objectives, an approach to budget preparation, and identifying the components for budget projections, the governing body of a local government must understand its legal responsibilities for the timely and complete execution of budget procedures. The governing board's legal responsibilities are imposed by constitutional, statutory, and local charter/ordinance/resolution mandates and guidelines. The governing body must be aware of statutory and constitutional limitations on the amount of property tax revenue that can be collected, the mill levy that can be certified, and annual revenue and spending limits that are not addressed in the Budget Law. The requirements of the Budget Law and the property tax revenue limitations under TABOR and the statutory 5.5 percent limit are addressed below.

The first action the governing body must take under the Budget Law is to designate or appoint a budget officer to prepare and submit a proposed budget (Section 29-1-104, C.R.S.). It is a local policy decision as to who will be the budget officer. In small municipalities, the budget officer is often the town clerk; at the county level it may be the county administrator; in special districts it may be the treasurer or secretary. Department heads must submit estimates to the budget officer in time for the budget officer to prepare the proposed budget, which must then be submitted to the governing board by **October 15**. (Section 29-1-105, C.R.S.) At this time a copy of the budget should be made available for inspection by the public, with notice given according to Section 29-1-106(3), C.R.S.

If a local government uses property tax revenue, five agencies will be involved in the process: the unit of government, the Board of

### **Q. Can the government's auditor prepare the budget?**

A. Under most circumstances auditors should not be preparing the government's budget. However, if the entity has no other option, the auditor needs to avoid making management decisions in the process. A final budget must be adopted by the Board or Council.

County Commissioners, the County Assessor, the Division of Local Government (DLG), and the County Treasurer. For local government budgets that do not require a property tax, the budget process will probably involve only two parties: the local government and the DLG. The following is a step by step process of each party's responsibilities.

## Counties, Municipalities, and Special Districts

1. Prepare the budget in accordance with the Budget Law, observing legal requirement for content, format, and timetables for publication of notices, public hearings, adoption, and appropriation.
2. If property tax revenue is needed to balance the budget in excess of the permitted limit, issue proper notice and conduct a mill levy increase election according to the Taxpayer's Bill of Rights (TABOR) Article X, Section 20 of the Colorado Constitution and Section 29-1-301, C.R.S. The election will be a "ballot issue" subject to TABOR requirements. Local officials should be aware of the timetable for

- conducting the election. Contact the county clerk and recorder or the DLG for information. Notify the Commissioners and DLG of a scheduled election. Submit the election results according to statute.
3. If a dollar value is reported on the government's Certification of Valuation for an **increase in production of a producing mine and/or previously legally exempt federal property** and the government wishes to have this valuation treated as growth - the calculation of the statutory property tax revenue limitation (the 5.5% limit) - the government might certify the impact on its services to the Division of Local Government. Use DLG forms 52 and 52A. (Section 29-1-301(1), C.R.S.) This should be done as soon as possible after receipt of the certification of valuation from the county assessor (**August 25**).
  4. If a dollar value is reported on the government's Certification of Valuation for **production of new primary oil or gas leaseholds or land**, and the government wishes to have this valuation treated as growth - the calculation of the statutory property tax revenue limitation (the 5.5% limit) - the government might certify the impact on its services to the Division of Local Government. **It is important to apply as soon as possible, since this process takes approximately one month to complete.** Use DLG form 52B. (Section 29-1-301(1)(c), C.R.S.)
  5. Adopt the budget at a **legally noticed budget hearing before December 15 if certifying any property tax levy** to the Board of County Commissioners. If no levy is to be certified, the budget must be adopted by December 31. (Section 29-1-106 and 107, C.R.S.)
  6. Send **one** certified copy of the adopted budget to DLG no later than thirty days following the beginning of the fiscal year of the budget (**January 31**). (Section 29-1-113, C.R.S.) Accompany the budget with resolutions/ ordinances: a) to adopt budget, b) to certify mill levy, and c) to appropriate funds.

### Division of Local Government (DLG)

1. Provides budgeting technical assistance, including materials and training.
2. Reviews, grants, or denies applications for exclusion of assessed valuation due to production of new primary oil or gas leaseholds and land from the statutory property tax calculation. (Section 29-1-301 (1)(b), C.R.S.)
3. Compares entity - certified levy with DLG calculated **statutory property tax revenue limit**. Notifies the local government of subsequent actions necessary if excess revenue is collected. (Section 29-1-301(6), C.R.S.)
4. Provides assistance in the calculation of other limitations, upon request.



5. Receives, reviews, and files certified copies of local government budgets.

## County Commissioners

1. If the county assessor has changed assessed valuations on or before December 10, but after the taxing entities have certified their mill levy, the commissioners **shall** adjust general operating levies and **may** raise levies to ensure the same amount of revenue as the originally certified levy would have raised. (Section 39-1-111(5), C.R.S.) This requires that the county commissioners communicate these actions to local taxing entities. [Note: **The ability to increase a levy is limited by TABOR.**]
2. If a county has not received a mill levy certification from a taxing jurisdiction, the commissioners shall list the entity name on the Certification of Levies and Revenues Report Form (from Division of Property Taxation) to be given to the county assessor, but shall leave a blank in the space for the mill levy. (See County Assessor below.)
3. Formally levy taxes in the county by December 22 (Section 39-1-111(1), C.R.S.); certify to county assessor. (Section 39-1-111(2), C.R.S.)
4. Submit the Certification of Levies and Revenue Report to the Division of Property Taxation; send copies to the Division of Local Government and the Department of Education. (Section 39-1-111(2), C.R.S.)

## County Assessor

1. Submit abstract of assessment to the Board of County Commissioners and the Division of Property Taxation by **August 25** (Section 39-5-123, C.R.S.), and certify to all local governments and DLG by **August 25**, the new total assessed value, the total actual value of all real property, and the amounts of the various factors needed to calculate the statutory property tax revenue limit and the constitutional "local growth" percentage. (Section 39-5-128, C.R.S.) These factors include new construction, annexation/inclusion, increases in mining production, previously legally exempt federal property, new primary oil or gas production, abatement/refunds, omitted property; and the total actual value of all real property from the construction of taxable real property improvements minus destruction of similar improvements, and additions to, minus deletions from, taxable real property. (Section 39-5-121(2), C.R.S.)
2. By **September 15**, certify to any law enforcement authority, "the certified mill levy." (Section 39-11-406.5, C.R.S.)
3. Notify the county commissioners, taxing entities, and DLG of any subsequent changes in assessed valuation by **December 10** by one written notice. (Section 39-1-111(5), C.R.S.)
4. If any county commissioners have certified a blank mill levy for a particular taxing jurisdiction, contact



DLG for direction to extend the prior year's levy. (Section 39-1-111(3), C.R.S.)

## County Treasurer

1. Receive tax warrants from county assessor to place on the tax roll and issue tax bills to property owners. (Section 39-10-101(1), C.R.S.)
2. Collect property tax payments. (Section 39-10-105, C.R.S.)
3. Issue property tax revenue warrants to local governments. (Section 30-10-711(1), C.R.S.)
4. Report any taxes paid on "omitted property," and any "abatements or refunds" of taxes to the County Assessor.

## Budget Procedures

According to the Budget Law, the budget officer must submit an estimated budget to the governing body on or before **October 15**. The following are steps the budget officer should take to ensure compliance with the Budget Law.

**Q. Should the budget officer consider uncollectible taxes in the budget?**

**A.** Yes, as a reduction in revenue. A function of the budget document is to identify all available resources for financing expenditures. When a local government entity can reasonably anticipate some resources to be impaired, i.e., uncollectible taxes, such amounts should be considered when preparing the budget.

## Budget Format and Content

Included in the Budget Law are several specific elements which must be in the budget document.

**The budget information for both expenditures and revenues must be classified** by fund and by the "spending agency" (office, unit, department, board, commission, and institution) which is responsible for the particular revenues and/or expenditures. (Section 29-1-103(1)(b) and (f), C.R.S.)

**The expenditure data must show the object of each expenditure** for administration, operations, maintenance, debt service, and capital projects to be undertaken during the budget year; all **anticipated revenue** must show its sources. (Section 29-1-103(1)(a), C.R.S.)

**The budget must show the corresponding figures for three years:** the prior completed fiscal year from the audit, the current fiscal year estimated through the end of the year, and the proposed budget year. (Section 29-1-103(1)(d), C.R.S.)

**The budget must show estimated beginning and ending fund balances** which include all unexpended surpluses from the prior years, total cash, and other resources available for subsequent years. This includes all reserves, savings accounts, etc. (Section 29-1-103(1)(c), C.R.S.)

**The budget must include a written "budget message"** which 1) describes the important features of the budget;

2) provides a statement of the budgetary basis of accounting used (cash, modified accrual, or encumbrance--a definition of each basis can be found in Glossary section of the Appendix); and 3) describes the services to be delivered during the budget year. The written budget message is a narrative that describes the budget in as much detail as necessary, but must have at a minimum the three components addressed above. Many local governments overlook this required part of the law or have no idea what to write, while others include several pages of narrative. Remember, the budget message should state what is important about the budget and what services the local government will be providing. (Section 29-1-103(1)(e), C.R.S.)

Many budget practitioners question what is meant by "important features." The law does not define this term. However, it generally is understood to mean that the message will include statements that describe the highlights of the budget. This could be pointing out the start of a capital project for which funds had been saved for several years or an increase of taxes or a reduction in service because of weakened revenue collections, etc.

**Q. The government is purchasing a piece of heavy equipment on a lease-purchase agreement. How does this or any other lease-purchase agreement appear in the budget?**

A. Lease-purchase agreement obligations must be set forth as a separate line item in the budget. The expenditures must be segregated between those involving real property and all those not involving real property. Additionally, there must be a supplemental schedule that contains information regarding the total maximum payment liability under all lease-purchase agreements (separating those involving real property from all non-real property) over the entire terms of the agreements, including all optional renewal terms.

**The budget shall include a supplemental schedule which contains the following information on lease-purchase agreements: (Section 29-1-103(3)(d), C.R.S.)**

- The total amount to be expended during the ensuing fiscal year for payment obligations under all lease-purchase agreements **involving real estate.**
- The total amount to be expended during the ensuing fiscal year for payment obligations under all lease-purchase agreements **other than those involving real estate.**
- The total maximum payment liability of the local government under **all** lease-purchase agreements involving real estate and **all** lease-purchase agreements not

involving real estate, over the entire terms of such agreements, including all optional renewal terms.

- The schedule should include a statement regarding the optional renewal terms. If there are no optional renewals, that should be stated.

**No budget may show expenditures in excess of available revenues plus beginning fund balances.** (Section 29-1-103(2), C.R.S.) In other words, the budget must be balanced.

## Notice of Budget

A copy of the proposed budget should be made conveniently available to citizens. It should be at the municipal building, courthouse, administrative headquarters (for a special district), or any other public building. The local public library is often a good place to display a copy of the budget. The budget itself should be as simple and as easy to understand as possible yet meet the legal requirements for format and content.

Upon receipt of the proposed budget from the designated budget officer (on or before **October 15**), the governing board must cause to be published a **notice**, one time, in a newspaper having general circulation within the local government's boundaries. If the local government's total budget is \$50,000 or less, the governing board may post the notice in three public places instead of publishing a notice. (Section 29-1-106(3), C.R.S.) The notice must state that:

The proposed budget will be considered for adoption at a hearing on a specified time, date, and place.

The proposed budget is available for inspection at a designated public office.

Any elector may inspect the budget and file objections at any time prior to the final adoption of the budget. (A sample *Notice of Budget* can be found in the Budget Forms section in Appendix C in the *Manual*.)

## Budget Hearing and Adoption

At the hearing for the adoption of the budget, the governing body may consider the objections of the electors and revise, alter, increase or decrease the items as it deems necessary in view of the needs of the various offices and departments and in view of anticipated income. The hearing portion of the meeting is closed when all testimony, including objections to the budget are heard. (Section 29-1-108(1), C.R.S.)

The adoption of the budget must be formalized and made official by adoption of a resolution or ordinance by the governing body. If the governing body finds that it **cannot** complete the adoption of the budget during the budget hearing, the board should consult with its attorney whether to continue the hearing or schedule additional hearings.

The governing body shall adopt the budget before certifying levies to the county(ies) if it certifies a levy for property tax. Otherwise, the budget must be adopted by **December 31**.

If a local government fails to adopt a budget by the deadline (**December 15 if levying for**



**a property tax or December 31 if not**), then the statute imposes a penalty. Only 90 percent of the current year's appropriation for operations and maintenance purposes is deemed reappropriated for the upcoming year. (Section 29-1-108(3), C.R.S.) A sample *Resolution/ Ordinance to Adopt the Budget* is provided in Appendix C of the *Manual*.

## Levy Certification

If a local government needs property tax revenue to balance its proposed budget, it must take official action, by ordinance or resolution, to set and certify a mill levy. It must then certify the mill levy(ies) to the Board(s) of County Commissioners (Section 39-1-111.5, C.R.S.) by **December 15**. Local governments must inform themselves of possible mill levy limitations. The certification must distinguish the purpose of any levy, whether it is for debt payment, ongoing general operating purposes, temporary tax credit/temporary mill levy rate reduction, voter-approved capital expenditures, or Refund/Abatement. **(For fire protection districts please note that any pension levy is part of the general operating levy unless voted upon separately.)** (See sample *Resolution/Ordinance to Set Mill Levies and Certification of Tax Levies* forms in Appendix C.)

The Colorado Constitution requires taxation to be uniform across county lines. (Article X, Sec. 3, Colo. Const.) For a local government that covers more than one county, when there is an adjustment in the assessed valuation in one county, the total assessed valuation of the taxing entity is affected and new levies may have to be certified to each county. Mill levy limits will still apply.

**Q. What is the difference between a budget and an appropriation?**

**A.** A budget is a financial plan and an appropriation is setting a limitation on expenditures in the budget.

## Appropriation Resolution/ Ordinance

An appropriation is the **legal spending limit authorizing** the expenditures set forth in the budget by the governing board. The appropriation must be enacted by the governing body through an official action: a resolution or an ordinance. The budget is merely a fiscal plan for the coming year, while the appropriation is the legal authority to spend that money. Appropriations are made by fund or spending agency (e.g., department) within a fund at the discretion of the governing body. (Section 29-1-108(2), C.R.S.)

Remember, if the governing board has not appropriated its budget on or before **December 31**, then **only 90 percent** of the amounts appropriated in the last resolution/ ordinance is reappropriated. (Section 29-1-108(4), C.R.S.)

No spending agency may expend or contract to expend any money in excess of the amount appropriated in the resolution/ ordinance. Any verbal or written contract that violates this is void. Multiple-year contracts may be entered into where allowed by law, or if subject to annual appropriation. (Section 29-1-110, C.R.S.)



A sample *Resolution/Ordinance to Appropriate Sums of Money* is provided in Appendix C.

## Filing the Budget

A local government must file a **certified** copy of its adopted budget, including the budget message, with the Division of Local Government no later than **January 30**. (Section 29-1-113(1), C.R.S.) "**Certified**" means a statement by a member of the governing body or a person appointed by the governing body that the budget is a true and accurate copy of the budget as adopted by the governing body.

Any town, city, or city and county operating under a home rule or territorial charter must file a budget with the Division of Local Government for purposes of information and research, even if they are exempt from other aspects of the Budget Law. (Section 29-1-113(2), C.R.S.)

**If a local government does not file a certified copy of the adopted budget, the county treasurer may be directed to withhold monies until the budget is filed. (Section 29-1-113(3), C.R.S.)**

## Record of Expenditures

It is critical that a local government not spend more than it has budgeted and appropriated. Careful tracking of revenues and expenditures is necessary. Statutes require that records of expenditures be kept in the office of the person whose duty it is to disburse monies. (Section 29-1-114, C.R.S.) These records must show appropriated amounts as compared with actual expenditures (i.e., year-to-date). If at any time revenue must be moved from one appropriated fund or spending agency to

another, then the entity's records must reflect this transfer of revenue as a **budgetary transfer**. Any authorized **contingency expenditures** must also be recorded. These records will show at all times the unexpended balance in each appropriated fund or spending agency or year-to-date spending as compared to the total budget.

## Changing the Budget

When and how budgets can be amended during the year is a subject of continual concern to local governments. As with any plan, the budget cannot perfectly anticipate the next year's revenues collection or expenditure needs. The Budget Law recognizes the need to amend or change annual budgets. The law defines three bases for budget amendments: the receipt of unanticipated revenues; budgetary transfers; and a downward revision of the appropriation. (Section 29-1-109, C.R.S.)

**Q. If the government receives additional property tax revenues, can it adopt a supplemental appropriation and spend the revenues?**

**A.** A supplemental appropriation cannot be adopted to expend any additional property tax revenue which was not originally budgeted during the year. However, this revenue will become available for appropriation in the following budget year. [Section 29-1-109(1)(b), C.R.S.]

If a local government receives unanticipated revenue, **other than from property tax revenue**, it must amend the budget in the required manner only if it intends to spend the revenue. If it intends to spend the revenue, then a "supplemental" budget and appropriation must be adopted to authorize the expenditure of the additional revenues which

was, in fact, unanticipated at the time the budget was adopted. If excess property tax is received, other than from uncollectibles from prior years, the law **does not** allow the local government to adopt a supplemental budget and appropriate the money for any purpose. **The government must keep the property tax revenue for appropriation only in the following year.**

To make a supplemental amendment to the budget requires a hearing to adopt an ordinance/resolution for a supplementary budget and appropriation. The hearing must be noticed in the same manner as the original budget hearing. (Section 29-1-109(2)(a), C.R.S.-See page 5-13.) The notice must state the reason for the supplemental budget, the source and amount of the unanticipated revenue, and what it will be spent on. The supplemental budget/appropriation ordinance does not have to be published; however, it must be filed with the DLG.

Situations arise during the year where a government finds that it did not budget adequate funds for a particular project, program, or activity. If there is sufficient revenue, in the governing body's opinion, within the budget that does not have to be spent as previously appropriated, and may be spent where the shortfall has occurred, then a transfer may be authorized. A transfer of funds may occur, if and only if, the funds to be transferred had previously been appropriated. One way that funds may have been appropriated is through the contingency line item. Any unspent contingency budget may be used for transfers.

The transfer must be authorized by the adoption of a budgetary transfer resolution/ordinance adopted at a properly noticed hearing in the same manner as the

original budget hearing. The notice must set forth the reasons for the transfer, the dollar amounts, and the affected funds and spending agencies. The transfers are to be documented, in detail, in the minutes.

**Note: If there is an unappropriated fund balance available in an amount to cover the shortfall, it cannot be appropriated for the transfer.** See Sections Projecting Revenue and Expenditures, page 5-8, Contingency for Budget Shortfall.

**Q. Can the government do a supplemental appropriation after year-end?**

**A.** Supplemental appropriations should be adopted within the budget year. However, legal opinions differ as to the actions that must be taken to rectify budget mistakes after the end of the budget year.

The statutes address a third budget amendment situation. If revenues are lower than anticipated, the governing body **may** adopt a "revised appropriation" in the same manner as the original appropriation (by fund or spending agency) and thereby lower the statutory spending limit. (Section 29-1-109(1)(c), C.R.S.) The revised appropriation must also be adopted at a properly noticed hearing as in the other situations above. The governing body does not have to take this formal action, since the law is permissive, but careful accounting is necessary in order not to exceed revenues for the year.

Please see sample forms for the supplemental budget, the budgetary transfer, and the revised appropriation amendment resolution/ordinances in Appendix C.

## Property Tax Revenue Limits

State law for many years has restricted the amount of annual revenue which can be raised for operating purposes from **property tax**, the so-called “5.5 percent limit.” (Section 29-1-301, C.R.S.) The enactment of TABOR added two new property tax limits, a TABOR mill levy limit, and another property tax revenue limit.

**Prior voter approval** is needed to impose a mill levy above that of the prior year (TABOR, Article X, Section 20(4)(a)). Through case law, it has been determined that the mill levy limitation under TABOR applies only to general operating functions of the government, and not to levies that service debt for debt repayment, capital expenditure, and refund/abatement levies. Regarding property tax revenue for debt, only the amount of revenue may be raised which is necessary to service the annual debt payments. (Section 29-1-301(1.7), C.R.S.) Legal advice on ballot wording should be sought.

This part of the chapter will address both the “5.5 percent” and TABOR limitations on property tax revenue.

## Property Tax Revenues

**There are two limitations in effect for property tax revenue: the TABOR limit and the statutory 5.5 percent limit.** County assessors will supply the data on the Certification of Valuation that the government needs to calculate these limits. (Section 39-5-128, C.R.S.) **Local budget officers must calculate the TABOR limitation and the 5.5 percent limitations. The mill levy limitation and the two property tax revenue limitations must**

**operate in conjunction with each other. They are commonly harmonized by considering the limit which produces the lowest revenue to be the limiting factor, preceding levying any revenue that may be allowed under the other two limits.**

A Property Tax Revenue Limitation Calculation Worksheet Form DLG 53A, Appendix C, is to assist in these property tax revenue calculations. DLG staff is available to assist.

### **TABOR Property Tax Revenue Limit**

TABOR limits property tax revenue to a percentage increase over the prior year. The percentage increase allowed is the total of two other percentages added together: **local growth plus inflation.** (TABOR, Article X, Section 20(7)(c)) **Local Growth** is defined as the

net percentage change in actual value of all real property...from construction of taxable real property improvements...and additions to, minus deletions from, taxable real property. (TABOR, Article X, Section 20(2)(g) and (Section 39-1-102(15), C.R.S.)

County assessors will certify the values used to calculate the local growth percentage using the Certification of Valuation Form (Form DLG 57) or the equivalent by **August 25.** (See Appendix C). The Certification of Valuation has a section entitled, "Use for TABOR Calculation". The figures shown in this section are actual value, and are used to calculate the TABOR local growth.

**Inflation** is defined as the percentage change in the Consumer Price Index (CPI) for the



Denver-Boulder-Greeley area (TABOR, Article X, Section 20(2)(f)). To know the actual annual percentage change, the government must wait until late February of the following year for a figure to be released by the U.S. Bureau of Labor Statistics (BLS), the source required by TABOR. Therefore, budgeters must use a **projection** of inflation so that the limits can be determined and the budget can be developed before the end of the year. Two respected and relatively unbiased projections of that figure are available to budgeters: the Legislative Council's and the Governor's Office of State Planning and Budgeting. These agencies release their projections quarterly in late March, June, September, and December. DLG will make the projected inflation numbers available for the government at the earliest possible date, including the official release from BLS. For contact and Web Site information for the Division of Local Affairs, please refer to the State Organizations, Colorado Department of Local Affairs section of the Contact chapter of the *Manual*.

### **The 5.5% Statutory Property Tax Revenue Limitation**

The statutory 5.5 percent Property Tax Revenue Limit, (Section 29-1-301, et seq., C.R.S.), applies to most statutory local governments. It does not apply to home-rule entities unless their charters specify this limit. The statute states

All statutory tax levies ... shall be so reduced as to prohibit the levying of a greater amount of revenue than was levied in the preceding year plus five and one-half percent (5.5%)...

When a local government computes the 5.5 percent limit it will review the Certification of

Valuation (Form DLG57). The Certification of Valuation has a section entitled, "Use for 5.5 percent limit calculation". The figures shown in this section are assessed valuation, and are used to calculate the 5.5 percent limitation. The assessor reports increased valuation for assessment attributed to annexation or inclusion of additional land ...[and] new construction. These valuation increases are considered growth in the 5.5 percent limit calculation and can increase the allowed revenue. If the assessor reports increased volume of production of a producing mine, previously legally exempt federal property, and new primary oil or gas production from any producing oil and gas leasehold or land, the local government may include these as growth. However, the government must submit form DLG 52 and 52A in order to have the mine production and previous exempt property treated as growth.

If the local government wishes to have the new primary oil or gas treated as growth, the government must apply to the Division. A copy of the application can be found in Appendix C.

Although a worksheet has been provided to assist in calculating the statutory property tax revenue limitation, **the Division of Local Government will also calculate and mail the government's "5.5 percent limit."** The initial calculation using the August 25<sup>th</sup> data is usually mailed in September. The Division will recalculate the 5.5 percent limit when the assessors submit revised Certification of Valuation, usually the first week of December.

Once the local government has completed the limit calculations worksheet it must determine the most restrictive revenue limit.



## ***Elections and the 5.5% Property Tax Revenue Limit***

Under Section 29-1-302, C.R.S., governments are allowed to hold an election to approve raising a greater amount of revenue than the 5.5 percent limit allows. The statute spells out specific elections for certain types of revenues in excess of the limitation. The statutory notices and deadlines become complicated when combining them with the required TABOR election requirements. Legal advice should be sought in this area as well. Many local governments have held elections to remove themselves from the TABOR property tax limit, the 5.5 percent limit, or both. The removal from the limits are for specified or open-ended periods of time.

**NOTE: The statute allows DLG to approve increased revenues beyond the 5.5 percent limit upon request, including special provisions for capital purposes and county road and bridge revenue. If the government's 5.5 percent limit is more restrictive than the TABOR revenue limit, and the governing body wishes to explore the possibilities of invoking these statutory provisions, it is imperative that the government contact DLG immediately to understand the Division's criteria for reviewing and approving these requests.**

## **TABOR**

### **Fiscal Year Spending**

As part of the local government's budget development, the TABOR fiscal year spending concept must be examined and applied to the proposed budget. The property tax revenue limit that a local government

calculates and abides by must be seen in the context of the fiscal year spending limitation. Please see the TABOR section for further discussion.

### **Reserves**

You should be aware that TABOR refers to "reserves" in two separate passages: (1) emergency reserves, and (2) the definition of "fiscal year spending" (FYS). More information is included in the TABOR section.

### **Managing the Budget**

The Budget Law requires each local government to have a person who monitors revenues and expenditures in order to know whether or not the budget is on course. Monitoring and analyzing revenues and expenditures allows the government to revise the estimates of ending balances. This assists in forecasting the future financial situation.

Monitoring and analyzing the budget should occur on a regular basis. Monthly, quarterly, and mid-year analysis will help in comparing actual to budgeted figures. Year-To-Date or Month-To-Date comparisons to the budget, including what percentage of the budget has been spent and how much remains, are questions the budget officer should be asking on a regular basis. It is important to make sure that actual revenues are at least equal to what was anticipated when preparing the budget.

## **Monitoring Revenue Shortfall**

### **Operating Reserves**

Governments need to identify funds and dollar amounts to be set aside to meet unanticipated expenses or revenue shortfalls. This should be built into the budget through the contingency line item. Estimation of the reserve amount is relative to the type of service(s) the local government offers and to the type and extent of the shortfall.

In general, a government should reserve in unappropriated fund balance between 10 and 30 percent of its operation and maintenance budget depending upon the local government's budgetary circumstances.

A reserve for "cash flow" purposes (also known as "working capital reserves") may be prudent especially if property tax is the primary revenue. Taxes will not be received, for the most part, until April, so resources to meet expenses for the first quarter of the year are necessary.

### **Capital Reserve**

The government must be aware of the life cycles of its facilities and equipment and the costs associated with the replacement of capital objects. Therefore, the government must budget for such replacement by reserving funds over time until the expected replacement occurs. The replacement can be financed either by reserving enough money to pay for it all at once or by paying a portion up front, and then using other methods to finance the balance of the cost.

A capital reserve can be established by action of the governing body; the ordinance or resolution should describe the purpose of the

reserve and enumerate yearly monetary allocations. The governing body may create a separate capital improvement fund and transfer the appropriated portion.

### **Contingency Reserve**

A shortfall in revenues may mean the need to use reserve funds or to cut back on expenditures or both. Plan for emergencies (in addition to TABOR emergencies) and budget for them. If a non-TABOR emergency does not happen, the funds are available to be budgeted for in the following year. Having a contingency line-item amount within each fund allows the government to move money within a fund for internal purposes without having to enact the otherwise required official transfers. Noticing a shortfall early in the year can make a problem less painful by giving ample time to correct the situation.

Contingencies are defined as emergencies which could not have reasonably been foreseen at the time of the adoption of the budget. (Section 29-1-111, C.R.S.) In the case of a contingency, the governing body is authorized to spend in excess of its original appropriation. (Section 29-1-112, C.R.S.)

TABOR also addresses emergency spending for local governments. See the TABOR section.

## **Monitoring Revenue Accounts**

In order to monitor revenues, detail information regarding major revenue streams should be available.

A comparison of current revenue receipts with the prior year history of month-by-month revenue receipts allows revised estimates of anticipated

revenues. This generally works well for property taxes, delinquent taxes, specific ownership taxes, and miscellaneous income.

Other types of income can be monitored more specifically. Interest can be estimated based on what amount of money is invested using the interest rates applicable. Specific state sources of income, such as the Highway User Trust Fund income, can be projected using state-supplied information.

If revenues indicate a budget shortfall, expenditures may need to be cut.

## Monitoring Expenditure Accounts

Monitoring and analyzing expenditures is usually more detailed and involved because of the numerous accounts and various categories of expenditures.

One method of monitoring expenditures is a **time-of-year comparison**. This calculation compares the percentage of the year which has elapsed with the percentage of budgeted expenditures that has occurred. If, for example, salaries are paid on a monthly basis, a regular comparison can be made of what was budgeted and the actual expenditures. As of March, 25 percent of the budget should be expended. If the salaries are paid on a 12 month basis and more than 25 percent is expended, then the budget may not be adequate for the whole year.

Another method is to **compare the budget to actual costs** by reviewing

documents received after the budget was established to check on the budget's accuracy. An example is to see if contractual agreements were fulfilled according to the budgeted amounts.

Often the most important expenditure categories to monitor closely are **salaries and benefits** because they usually are a large percentage of the budget. **Utility costs** also require a thorough analysis. **Supply and capital outlay** expenditures are more difficult to monitor due to market influences and possible fluctuations in spending patterns.

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**Grants and Loans**

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## **Grants and Loans**

### **Introduction**

A variety of financing programs is available to Colorado local governments to fund projects that are deemed necessary and beneficial to Colorado communities. Financing programs include grants and loans as well as entitlements, loan guarantees, etc., from federal, state, and private funding sources. This chapter is designed to assist local governments in obtaining information about specific available financing programs and to provide guidance on applying for financial assistance. For contact and Web site information for all aspects of acquiring financial assistance, please refer to the State Organizations, Colorado Department of Local Affairs section of the Contacts chapter of the *Manual*.

### **Available Financing Programs**

Any local government seeking financial assistance is urged to research all possible sources of conventional (banks) and private/non-profit (philanthropic foundations) financial sources. The following are suggestions about how local governments can identify available financing programs that are an appropriate match for their specific project type.

Contact DOLA to obtain the *Colorado Local Government Grant and Loan*

*Directory*. This *Directory* provides information about various state and federal financial assistance programs. The *Directory* includes a section on private foundations that assist local governments. For contact and Web site information for DOLA, please refer to the State Organizations, Colorado Department of Local Affairs section of the Contacts chapter of the *Manual*, at that Web site select Data Information and Publications then select *Grant and Loan Directory*.

If you are researching programs for non-profit public service providers, as well as local governments, review the *Colorado Grants Guide*, published by the Community Resource Center. For contact and Web site information for the Community Resource Center, please refer to the Professional and Other Types of Organizations, Community Resource Center section of the Contacts chapter of the *Manual*.

Visit your local library. Libraries have grant/loan reference materials such as the *Catalogue of Federal Domestic Assistance*, which contains approximately 1500 assistance programs. (The *Catalogue* may be available at your local library, or you can obtain a copy from the Superintendent of Documents,

Government Printing Office. For contact and Web site information for the Superintendent of Documents, please refer to the Federal Organizations, Government Printing Office section of the Contacts chapter of the *Manual*.

You can also obtain a copy on CD-ROM. For contact and Web site information for Catalogue of Federal Domestic Assistance (CFDA), please refer to the Federal Organizations, Catalogue of Federal Domestic Assistance section of the Contacts chapter of the *Manual*.

Contact a paid or volunteer consultant ("grant writer").

Contact the Colorado Office of Economic Development and International Trade, Colorado Enterprise Zone Office, to obtain contact information for your local Enterprise Administrator. The Enterprise Administrator can assist you in determining if your project qualifies for Enterprise Zone benefits. For contact and Web site information for the Colorado Office of Economic Development and International Trade, please refer to the Professional and Other Types of Organizations, Colorado Office of Economic Development and International Trade section of the Contacts chapter of the *Manual*.

Contact other governments that have obtained funding for similar projects.

Contact corporate entities for potential contributions, especially those firms

with large numbers of employees residing in your community or with considerable local financial interests.

Contact local banks which are now allowed as a result of the Community Reinvestment Act to financially participate in various community projects.

## **Before Applying for Financial Assistance**

This section provides guidance on issues local governments should consider before applying for financial assistance.

### **Defining the Need for the Proposed Project**

Local governments should determine and be able to document their need for financial assistance. In addition, the government should be able to demonstrate its limited financial capacity to address the documented need. The local government must also demonstrate that it is actively taking steps to obtain funding from local resources. Applicants are more likely to be good candidates to compete for outside resources when local resources have been committed to the project.

Answering the following types of questions will assist governments in identifying the need for the project. In addition, the entity will be able to identify the assistance programs that are appropriate for the proposed project.

#### **Is there a documented technical need?**

Have feasibility studies been conducted? Are

there state/local violations? How great is the need for the project for the betterment of the community?

### **Is there agreement that there is a need?**

Do the elected officials recognize the need for the project? Are there competing capital improvement needs? Are the elected officials committed to this project as the community's highest-ranked need? Will officials take necessary steps to increase investment if additional revenue is required? Has there been/will there be community involvement in defining the project and recognizing construction and operation costs?

### **Is there a financial need?**

Is the community willing to commit its own dollars and/or in-kind contributions to the project? Is there a capital reserve or improvement fund which can be used for this purpose? Is it possible to blend cash expenditure and incur debt? How credit-worthy is the entity? What is the entity/provider's existing debt load (general obligation, revenue, other)? How does this compare with the statewide average for similar-sized communities? Is there a mill levy which supports the project? How high is the total (overlapping mill levy) tax burden?

### **Does the proposed project address the need?**

Is the project feasible? Does the project make economic sense (what are the per capita costs for the capital construction, what are the operating costs per capita and per median household income, etc.)? Can the project be phased in over time if outside funding resources do not match financial need? Will compliance with program requirements (e.g.,

Davis-Bacon wages) present an undue financial burden? What other alternatives have been explored?

## **Additional Considerations**

There are other issues that must be addressed early in the process of identifying and applying for financial assistance. These include (1) timing issues; (2) limitations from the Taxpayer's Bill of Rights (TABOR); and (3) program funding requirements.

### **Timing Issues**

When seeking and applying for financial assistance, it is important to determine application requirement deadlines and timeline for awarding funds. This will allow the government to plan and match project deadlines/schedules with application requirements. For example, construction schedules may need to be coordinated with the receipt of the financial assistance funds. In addition, notice and publication requirements for public hearings, elections, and formal actions by the governing body must be adhered to and may affect application deadlines.

### **Limitations From the Taxpayer's Bill of Rights (TABOR)**

(Article X, Section 20, Colorado Constitution)

Acceptance of a loan or grant from state/local assistance programs can trigger the possible violation of certain revenue and spending limitations prescribed by various sections of TABOR. Receipt of monies that are not specifically exempted from the amendment's fiscal year spending limitation may cause a district to exceed its spending limit. In addition, an enterprise entity's ability to be exempt from TABOR may be jeopardized if



receipt of state and local government grant monies exceed 10 percent or more of the enterprise's annual revenue.

A local government may determine that an election must be held to define the grant dollar amounts as "voter-approved revenue changes." Applicants may also wish to hold discussions with grantors to explore options to receive or accrue grant monies in amounts which would not exceed spending limits or the "ten percent" rule. For further information about TABOR, see the TABOR section of the *Manual*.

### **Program Funding Requirements**

It is necessary to know each program's funding requirements and criteria. If any of these requirements pose a significant problem for the local government, then it should reconsider whether to apply to that assistance program. The following are examples of funding requirements that should be considered.

**Eligibility:** Is the program available to local governments and other public entities? Which ones? Can/must a special district or local improvement district apply directly for the funding or must a county or municipality apply on its behalf?

Does the program offer grants and/or loans?

Does the program have adequate resources to meet the project's funding needs, or will it be necessary to seek funding from several sources?

Are matching funds required? At what level? In what form?

Does funding require that the project be earmarked to benefit citizens at low/moderate-income?

Does the program require extensive administrative overhead to deal with regulatory compliance?

## **Applying for Financial Assistance**

Once an assistance program is selected, it is important that the application requirements are complied with fully. Do not expect late or incomplete applications to be accepted. Fully completed forms with all required supplemental attachments in the requested numbers must be submitted to the correct person/office/address. It is helpful to know a program contact person who can answer your application-related questions.

When a program permits an oral presentation by the applicant to the granting body, the local government's comments should concisely demonstrate its need, indicate any local contribution, and address the local government's ability to effectively manage the funding. In addition, the local government should "do its homework" on the types of questions which are typically asked so that it will be prepared to answer them.

## **After Receiving Financial Assistance**

When an entity receives financial assistance, a letter or notice of funding or award will be mailed/given to the applicant. Terms of the award, including accounting, auditing, and management compliance requirements, are usually formalized in a grant/loan award

agreement or contract which the parties sign. State and federal grantors usually have training assistance available to grantees in the areas of these requirements. In addition, the receipt of federal funds may cause the government to fall within federal Single Audit requirements. For additional information about Single Audit requirements, see the Auditing section in the *Manual*.

It is critical that if a compliance problem develops, the local government should immediately notify the grantor in order to determine what, if any, corrective action must be taken.

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**Records Management**

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## **Records Management**

### **Introduction**

This section of the *Financial Management Manual* has been developed to provide guidance regarding records management. The purpose of a records management program is to have a systematic, routine process for preserving permanent records and information and disposing of records when appropriate. This chapter includes information about records management services provided by the Colorado State Archives, a records management process, public access to records as required by state laws, and federal record retention requirements.

### **Colorado State Archives**

The mission of the Colorado State Archives is to ensure the preservation of permanent legal records and information by state and local governments. State Archives is responsible for establishing legal retention periods and disposition requirements for the preservation and destruction of public records, including electronic mail, by authority of Section 24-80-101 through 111, C.R.S., as amended.

### **Records Management Services**

State Archives provides professional assistance, counsel, and services relating to records management methods, techniques, and systems. State and local governments can request assistance with records retention and disposition scheduling. In addition, State

Archives will advise when and how records should be retained or destroyed.

### **Colorado General Records Management Manual**

State Archives publishes the *Colorado General Records Management Manual*. Although this guidance is specific to state agencies, local governments can use this resource as guidance for their records management needs.

This *Records Manual* contains general retention and disposition schedules for various types of records. The schedules are designed to give uniform guidelines for retention and disposition of common records; promote cost-effective management of records and information; provide the legal authorization to dispose of records on a regular basis; and ensure that records needed are retained as long as necessary.

In addition, the *Records Manual* provides useful information regarding:

Instructions for preparing the records inventory report.

Records storage, permanent and temporary.

Use and maintenance of storage devices.

Microfilming information.



For contact and Web site information for records management, please refer to the State Organizations, Colorado Department of Personnel and Administration, State Archives section of the Contacts chapter of the *Manual*.

## Records Management Process

A records management process allows for the legal preservation or disposal of records as required by statutes.

The first step in the process is to take an inventory of all the government's records. A records inventory report developed by State Archives can assist in this process. Next, the government's records should be appraised. Record appraisal is the process of analyzing the value of records in order to determine the proper timetable and method for retention and disposal. The result of the appraisal process should be reported to State Archives on a records retention schedule form. The records retention schedule form will be returned by State Archives once it is approved. The government is responsible for annually reviewing the established record retention schedules and determining if any changes are necessary. When it is time to dispose of records, the government is responsible for ensuring that proper authorization has been obtained and records are destroyed in accordance with approved record retention schedules by State Archives.

The form developed by State Archives to assist in records management can be found at the end of this chapter.

**Note:** No record shall be destroyed so long as it pertains to any pending legal case, claim, action, or audit.

## Public Records Statutes

Local governments should be aware of the laws that govern public access to records. The statutes discussed below are those pertaining to public record inspection that were identified as being significant to local governments. However, it is important to remember that there are numerous statutes that address specific issues pertaining to public record inspection and confidentiality of records.

The Public (Open) Records Act (Title 24, Article 72) establishes regulations pertaining to public records including restoring, inspecting, copying, and photographing of general and specific types of public records. Part 2 of this Act (Section 24-72-201, et seq., C.R.S.) is the portion most applicable to local governments. The intent of this section is that all public records shall be open for inspection by any person, except as otherwise specifically provided by law.

Section 29-1-902, C.R.S., is another law that is important for local governments to be aware of concerning the inspection of public records. This law states that a local government-financed entity should have available for inspection specific types of the entity's records such as the annual operating budget and a list of the members of the entity.

The Statutes chapter within the *Manual* contains a copy of these statutes.

*If the government is unsure whether specific records are considered public or confidential, it should seek the advice of legal counsel.*

## Federal Record Retention Requirements

Governments receiving federal financial assistance are required to retain records as prescribed by the federal *Grants Management Common Rule*. The *Common Rule* requires financial and programmatic records, supporting documents, statistical records, and other records of grantees or subgrantees to be retained for three years.

For contact and Web site information for federal record retention requirements, please refer to the Federal Organizations, Office of Management and Budget section of the Contacts chapter of the *Manual*.

## 2003 Colorado Municipal Records Retention Schedule

The Colorado State Archives has also developed the 2003 (updated annually) *Colorado Municipal Records Retention Schedule*. Municipalities can elect to adopt the retention schedule. A records retention schedule is developed specifically for a public agency. It lists all records maintained by the agency and how long they need to be kept. The State Archivist, Office of the State Auditor and the Attorney General's Office sign the retention schedule. Some of the records need to be retained permanently, while others can be destroyed once they have exceeded the minimum retention period. The records retention schedule is a legal authorization to destroy records.

Once municipalities have adopted the schedule and received State Archives approval, they can legally destroy records of non-permanent value. For contact and Web site information to obtain the retention schedule approval form, please refer to the

State Organizations, Colorado Department of Personnel and Administration, State Archives section of the Contacts chapter of the *Manual*.

Once approved, the city or town name will be added to this site. The retention schedule will not provide legal authority or authorization for destruction of municipal records by any municipality until it is approved for use by the Colorado State Archives. Additionally, no record shall be destroyed if it is pertinent to any current or pending litigation.

The approval will remain in effect indefinitely or until rescinded by the municipality or State Archivist. Municipalities using the record retention schedule will not be required to report yearly record destruction statistics.

Records can be destroyed by shredding, burning (where no local burn ordinance is in effect), recycling, or landfill. Records that are confidential in nature should be destroyed by shredding, or they can be destroyed professionally by a company that can certify to security destruction. The State Archives sends out an annual authorization to destroy records for another year. Please refer to the records retention schedule to know what records you can destroy.

Most permanent records may be microfilmed or imaged and placed on an optical disk. For records that are microfilmed, the negative microfilm must be inspected and deposited in the State Archives prior to destruction of the original record. For imaged records, consult the State Archives' *Optical Disk Policy Statement*. For contact and Web site information for imaged records, please refer to the State Organizations, Colorado Department of Personnel and Administration, State Archives section of the Contacts chapter of the *Manual*.

# STATE ARCHIVES AND PUBLIC RECORDS RECORDS INVENTORY REPORT

DEPARTMENT	DIVISION	UNIT
RECORD TITLE (INCLUDE TITLE VARIATIONS AND FORM NUMBER - IF ANY)		
DESCRIPTION (INCLUDE PURPOSE OF RECORD AND PRINCIPAL DATA ELEMENTS - SAMPLE)		
STATUS (CURRENT OR OBSOLETE)	YEARS (EARLIEST AND LATEST)	ARRANGEMENT (CHRONO, ALPHA, ETC.)
SOURCE INFORMATION (BY WHAT RECORD OR PUBLICATION AND HAS IT)		RECORD FORMAT (BOUND, UNBOUND, MICROFILM, ETC.)
FREQUENCY OF USE (DAILY, MONTHLY ETC)	LABELING	INDEXING
CONDITION (GOOD, FAIR, POOR)	MISSING RECORDS (NO, YES - EXPLAIN)	QUANTITY (IN CUBIC FEET)
ACTION RECOMMENDED BY AGENCY <input type="checkbox"/> SCHEDULE (SPECIFY TYPE OF ACTION) <input type="checkbox"/> MICROFILM - DESTRUCTION <input type="checkbox"/> MICROFILM - SECURITY <input type="checkbox"/> TRANSFER ORIGINALS <input type="checkbox"/> TRANSFER MICROFORM		RECOMMENDED RETENTION PERIOD (LENGTH OF TIME AND WHY)
PREPARED BY	DATE PREPARED	PHONE NUMBER
RECOMMEND ACTION BY STATE ARCHIVES <input type="checkbox"/> APPROVE <input type="checkbox"/> DISAPPROVE <input type="checkbox"/> REFER TO AG <input type="checkbox"/> REFER TO SA <input type="checkbox"/> OTHER (SPECIFY) _____		

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**The Taxpayer's Bill of Rights (TABOR)**

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# *State of Colorado*

## *Financial Management Manual*

### *A Guide for Colorado Local Governments*

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## **The Taxpayer's Bill of Rights (TABOR)**

### **Introduction**

In November 1992, Colorado voters approved an amendment to the State Constitution, Article X, Section 20, known as the Taxpayer's Bill of Rights (TABOR). TABOR was enacted to reduce government growth by limiting spending, revenues, and debt. TABOR imposes significant requirements on state and local governments in Colorado. A complete copy of the TABOR Amendment and other selected TABOR-related statutes can be found in the Statutes chapter of the *Manual*. In addition, the Budget chapter provides additional information regarding TABOR's provisions and the methods for calculating revenue and spending limitations.

This section summarizes TABOR's provisions and the judicial and legislative interpretations of these provisions. This summary is not intended to be all-inclusive and should only be used as a general reference for users of the *Manual*.

### **The Provisions of TABOR**

The first case to explore the meaning of "local government" under TABOR was *Campbell v. Orchard Mesa Irrigation District*. The court held that an irrigation district, although a type of "public corporation," is not a "local government" subject to TABOR.

The provisions of TABOR are complex and have often been subject to judicial and legislative interpretation to clarify and establish specific guidelines for various types of governments and issues. A summary of TABOR's provisions follow.

### **Enterprises**

The State and all local governments are subject to TABOR; however, an enterprise is excluded from TABOR's provisions as long as it meets the definition outlined by the amendment. An enterprise as defined by TABOR is "a government-owned business authorized to issue its own revenue bonds and receiving under 10 percent of annual revenue in grants from all Colorado State and local governments combined."

It is important to note that TABOR's definition of enterprise is different from that used within generally accepted accounting principles (GAAP). See the *Uniform Classification of Accounts*, Appendix E, for the GAAP definition of enterprise.

### **Revenue and Spending Limitations**

TABOR includes several limitations on government spending and increases in revenues. It is important to note that these limitations are subject to adjustments by voter-approved revenue or spending increases. The limitations are discussed below.

## Tax Limit.

TABOR requires advance voter approval for any new tax, tax rate increase, mill levy increase, or tax policy change causing a net tax revenue gain.

## Property Tax Limit.

TABOR limits the annual percentage change in property tax revenue to the Denver-Boulder-Greeley inflation rate of the prior calendar year plus annual local growth.

## Fiscal Year Spending.

Fiscal year spending is defined by TABOR as all government expenditures and reserve increases with the exception of:

- Refunds made in the current or next fiscal year.
- Gifts.
- Federal funds.
- Collections for another government.
- Pension contributions by employees and pension fund earnings.
- Reserve transfers or expenditures.
- Damage awards.
- Property sales.
- Lottery Funds (per Colorado Supreme Court Interrogatories on Senate Bill 93-74).

### **Q. Are Lottery proceeds excluded from the fiscal year spending calculation?**

A. The Colorado Supreme Court addressed this issue in connection with *Interrogatories on Senate Bill 93-74*. The General Assembly, guided by the Supreme Court interrogatory, excluded certain lottery proceeds from the definition of "state fiscal year spending." Many local governments are following the State and relying on the Court decision referenced above to exclude conservation trust fund proceeds in calculating their fiscal year spending limitation.

TABOR specifies that revenues and fiscal year spending by state and local governments should only be allowed to be increased by the Denver-Boulder-Greeley inflation rate in the prior calendar year plus the "local growth rate. Local growth is calculated using actual valuation information from the County Assessor. Definitions of inflation and local growth can be found in the TABOR amendment. (Please refer to the TABOR and TABOR-Related Statutes section of the Colorado Revised Statutes chapter of the *Manual*.)

## **Refunding of Excess Revenues**

If revenue from sources not excluded from fiscal year spending exceeds the spending limit specified under TABOR for that fiscal year, state and local governments are required to either refund the excess revenue in the next fiscal year or obtain voter approval in the next election to retain it.

When conducting an election related to TABOR issues, governments should be aware that laws and/or election requirements change or may need to be coordinated with the County Clerk and Recorder. For further

assistance regarding TABOR elections, contact the Division of Local Government. For contact and Web site information for the Division of Local Government, please refer to the State Organizations, Colorado Department of Local Affairs section of the Contacts chapter of the *Manual*.

## Debt

TABOR also includes debt provisions for state and local governments. TABOR requires advance voter approval before allowing the “creation of any multiple-fiscal year direct or indirect district debt or other financial obligation whatsoever without adequate present cash reserves pledged irrevocably and held for payments in all future fiscal years.” The exceptions to this limitation are refinancing bonded debt at a lower interest rate or adding new employees to existing government pension plans.

## Emergency Reserves

TABOR requires that an **emergency reserve** of 3 percent of fiscal year spending, excluding bonded debt service, be set aside by state and local governments. This reserve can only be spent on a declared emergency which excludes economic conditions, revenue shortfalls, or salary or fringe benefit increases.

**Q. Must the government maintain a separate bank account for emergency reserves?**

**A. No.** Emergency reserves are not required to be kept in a separate account.

## TABOR-Related Statutes

Statutes have provided legislative clarification

of certain aspects of TABOR. Specifically addressed are issues relating to the enterprise status of governmental entities and the necessity for voter approval related to debt issues.

## Enterprise Status

Since only activities that are defined as enterprises are specifically exempt from TABOR, many judicial interpretations and legislative clarifications have focused on issues relating to enterprise activities. In particular, statutes concerning the enterprise status of governments have been enacted to specify conditions under which certain government entities are considered enterprises and not subject to TABOR's provisions. The following types of entities have had legislative clarification on their enterprise status.

### Universities and Colleges

Section 23-5-101.5, C.R.S., allows an auxiliary facility, such as student or faculty housing, to be designated as an enterprise if the managing entity of the facility retains the authority to issue revenue bonds on behalf of the facility and the facility receives less than 10 percent of its total annual revenues in grants.

### Hospitals

Section 25-3-304, C.R.S., allows a county hospital to be designated as an enterprise by the Board of Public Hospital Trustees as long as the Board retains the authority to issue revenue bonds on behalf of the hospital and the hospital receives less than 10 percent of its total annual revenues in grants.



## **Nursing Homes**

Section 26-12-109, C.R.S., allows any state nursing home or state veterans nursing home to be designated as an enterprise as long as it retains the authority to issue anticipation warrants and receives less than 10 percent of its total annual revenues in grants. The General Assembly declared that the authority to issue anticipation warrants is the same as the authority to issue revenue bonds for the purposes of TABOR.

## **Water Activities**

Section 37-45.1-101-102, C.R.S., establishes the use of water activity enterprises. Water activity enterprises are defined as any government water activity business, owned by a district, which receives less than 10 percent of its annual revenues in grants and is authorized to issue its own revenue bonds.

## **Voter Approval for Debt Issuance**

### **Education**

Section 22-41.5-101-102, C.R.S., states that weakening of debt on a school district shall be put to voter approval.

Section 22-42-128, C.R.S., states that school districts must have voter approval in advance for bonded indebtedness and property tax mill levies.

## **Other TABOR-Related Statutes**

### **Taxation**

Section 39-1-111.5, C.R.S., enables governments to “approve and certify a refund in the form of a temporary property tax credit or temporary mill levy rate reduction.”

## **State Fiscal Policies**

Sections 24-77-101-102, C.R.S., provide the policies for the State regarding the “meaning and implementation of Section 20 of Article X of the State Constitution as it relates to state government.”

## **TABOR Court Cases**

To clarify certain aspects of TABOR, local governments have pursued judicial interpretation of TABOR requirements. Although TABOR was added to the Constitution in November 1992, Colorado courts continue to hear cases regarding various provisions of the amendment. For contact and Web site information for additional TABOR-related court cases, please refer to the Other Useful Internet Sites section of the Contacts chapter of the *Manual*, at the following listings:

Grimshaw and Harring P.C.

Colorado Bar Association

## **Enterprise Status**

As discussed previously, there has been significant judicial interpretation for determining an enterprise status for entities. Some of those cases are listed below.

### **E-470 Public Highway Authority**

In response to the *Nicoll v. E-470 Authority* case, the General Assembly deleted all taxing power for the Authority and declared that the Authority qualified as an enterprise. In *Nicoll v. E-470 Authority*, the Colorado Supreme Court had concluded the E-470 Authority was not an enterprise, because it has the power to

tax, regardless of whether the power is used.

### **Regional Transportation District**

The RTD is not an enterprise ("government-owned business") because it is a "government" which receives almost 60 percent of its revenues from sales tax. (*Regional Transportation District v. Romer.*)

### **Forest View Acres Water District**

The District court held that the District was not an enterprise because it had the power to tax (not appealed). (*Forest View Acres Water District v. Forest View Company.*)

### **Eagle County Board of Commissioners**

The Court of Appeals held in part: (1) the County was authorized under the airport statute and its general powers to create a nonprofit corporation enterprise; (2) passenger facility charges ("PFC") received from the Federal Aviation Administration through an assignment of the charges by Eagle County is not a local government "grant," and therefore the nonprofit corporation is an "enterprise"; (3) the County's obligation to assign the PFC's to the enterprise is not a multiple-fiscal year obligation because the PFC's are not "County revenue". (*Board of County Commissioners of Eagle County v. Fixed Base Operators, Inc.*)

### **Debt Issues**

In addition to the enterprise status of entities, judicial interpretation regarding debt issues has also been sought by local governments.

### **Boulder County Board of Commissioners**

The court held that lease obligations subject to

annual appropriation are not multiple-fiscal year obligations within the meaning of TABOR, and therefore do not require voter approval. (*Board of County Commissioners of Boulder County v. Dougherty, Dawkins, Strand & Bigelow Incorporated.*)

### **Arapahoe County School District Number Six, a/k/a Littleton Public Schools**

In a decision by the Colorado Supreme Court in 1995, the Court found that the School District would not be required to hold additional TABOR elections for increases of its mill levies for debt which had been approved by voters prior to TABOR. The Court also found that a refund and abatement levy is not an increase in tax revenue, and therefore a mill levy for that purpose does not have to be approved at an election. (*Bolt v. Arapahoe County School District Number Six, a/k/a Littleton Public Schools.*)

## **Voter-Approved Revenue Changes**

### **"De-Brucing" Ballot Questions**

"De-Brucing" is a name given to elections that remove local governments from certain TABOR revenue limits. TABOR, Article X, Section 20 (7)(d) requires local governments to refund any revenue collected in excess of the fiscal year spending limit, unless voters approve a "revenue change as an offset" to the excess revenue. Many local governments have submitted ballot questions to their citizens to keep excess revenue. The Supreme Court has ruled that "voter approved revenue changes" include:

Revenue from new taxes, or tax rate increases, etc. per section (4)(a).

Specific dollar amounts collected in excess of spending limits, section (7)(d).

Revenues from a tax increase that generates more revenue than the estimated maximum dollar amount stated in the election notice.

The court has ruled that a voter approved revenue change does not have to be a specific dollar amount, nor can it be only for the amount of excess revenue collected. These ballot questions are characterized as “broad form” de-Brucing questions in that they do not require an entity to return to the voters every year that excess revenue may be collected.

A caution must be given. A de-Brucing question cannot remove an entity from TABOR completely. It only removes it from the specified revenue limits. An entity must still observe, among other requirements, TABOR’s election provisions and the 3 percent emergency reserve. (*City of Aurora v. Acosta*; *Havens v. Board of County Commissioners of the County of Archuleta*.)

## Other TABOR Issues

When considering the effects of TABOR, local governments should be aware of the following issues:

### The “Ratchet Down Effect”

Since TABOR’s limitations are strictly on a year-to-year basis, a government that has a year of reduced revenue or receipts will have a reduced spending limit, even though they may be spending some monies from reserves. The following year the government will be

limited to this lower amount, plus growth and inflation factors, even though they may have much higher receipts or revenue. This is known as the “ratchet down effect.” This could cause the government to have to get voter approval to keep, for example, sales tax revenue from a prosperous year.

The “ratchet down effect” seems to especially affect small governments. Percentage limitations can translate to small dollar amounts in a small government, and any unusual receipt of extra monies, such as a state grant, may require voter approval for the monies to be kept and spent.

Many local governments use temporary tax credits after revenues have been “ratcheted down”. The local government should consult with legal counsel on structuring this and the TABOR issues.

## Intergovernmental Agreements

Governments have expressed concern about TABOR issues relating to intergovernmental agreements, joint ventures, and similar governmental efforts to gain efficiencies through cooperation.

Efforts to improve governmental efficiency could have negative results under TABOR by creating another “District” subject to TABOR and/or causing a single governmental function or project to be subject to the TABOR limitations.

Governments should exercise caution and consider the TABOR implications of all new intergovernmental agreements and other cooperative ventures.



**Q. How does TABOR affect entities such as improvement districts, housing authorities, and urban renewal authorities?**

A. TABOR uses the term "District" and defines a district as the State or any local government, excluding enterprises. Although local government is not defined by TABOR, these types of entities should consider if they are local governments, and therefore districts under TABOR, unless they are excluded on the basis of being enterprises.

## **Basis of Accounting**

TABOR does not specifically address which basis of accounting should be used in computing compliance with TABOR. In general, governments use the cash basis or modified accrual basis of accounting for calculating TABOR compliance. Some governments, such as special districts, that are enterprises for accounting purposes but not for TABOR purposes may use the full accrual basis of accounting. It is important to note that for all of these accounting methods there will be legal differences specified by TABOR, such as excluding gifts and federal funds.

Using the modified accrual basis of accounting means that amounts used for computing compliance with TABOR will be the same amounts used in the government's financial statements. Thus, items such as accounts payable and property taxes receivable will be included in computations under TABOR.

## **Financial Statement Reporting of TABOR**

TABOR does not specify any reporting

procedures for its provisions. In general, reporting standards for TABOR's provisions have been established either within statutes or by using generally accepted accounting principles and generally accepted auditing standards. The following is a summary of how TABOR provisions should be reported by local governments.

### **Emergency Reserves**

Emergency reserves may be reported in the fund balance or retained earnings section of the entity's financial statements and disclosed in the footnotes.

### **Fiscal Year Spending**

According to the Audit Law, school districts are required to include in their audit report a calculation of the school district's fiscal year spending. (Section 29-1-603 (5), C.R.S.)

### **Excess Revenues**

The governing body of the government must decide whether the excess revenues collected will be refunded or if an election will be held to get voter approval to spend the excess.

To refund excess revenues, governments can use a temporary property tax credit or temporary mill levy rate reduction as stated in Section 39-1-111.5, C.R.S. According to TABOR, local governments may use any reasonable method for refund. Refunds are not required to be proportional when prior payments are impractical to identify or return.

In general, all revenues earned by the government should be recorded as a revenue. If the government decides to refund the excess revenues, the recommended entry is either as



an expenditure or an other financing use.

If the government has not obtained voter approval to spend the excess revenues, a contingent liability should normally be disclosed in the notes to the financial statements. Governments should consult with their auditor for more specific guidance on reporting excess revenues.

## **Footnote Disclosure**

In cooperation with the Colorado Society of CPAs, the Office of the State Auditor has taken the position that TABOR creates a contingency which should be disclosed to demonstrate finance-related legal compliance. GASB Codification Section 1200.113 states in part:

Where financial statements prepared in conformity with GAAP do not demonstrate finance-related legal and contractual compliance, the government unit should present such additional schedules and narrative explanations in the comprehensive annual financial report as may be necessary to report its legal compliance responsibilities and accountabilities....

In addition, the Local Government Audit Law requires local government audit reports to provide full disclosure of violations of state or local laws.

As guidance for TABOR compliance reporting within financial statements, the following two sample footnote disclosures have been provided. It is important to remember that fact situations differ among governments and that TABOR is subject to judicial interpretation and legislative

clarification. The following footnote samples should be used only as guidance and modified as necessary for each government's fact situations.

### **Sample Footnote #1**

Colorado voters passed an Amendment of the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. The entity believes it is in compliance with the requirements of the Amendment. However, the entity has made certain interpretations of the Amendment's language in order to determine its compliance.

### **Sample Footnote #2**

Colorado voters passed an Amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments.

The entity's financial activity provides the basis for calculation of limitations adjusted for allowable increases tied to inflation and local growth.

The Amendment excludes from its provisions "enterprises." Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10 percent of their annual revenue in grants from all state and local governments combined, are excluded from the provisions of the Amendment. The entity is of the opinion that the following operations qualify for this exclusion:

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Additionally, the entity has also excluded the following component units, joint ventures, and jointly governed organizations from its compliance calculation: \_\_\_\_\_

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Fiscal year spending and revenue limits are determined based on the prior year's spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

[The entity collected revenue in excess of its fiscal year spending limit and is taking the following actions: \_\_\_\_\_

\_\_\_\_\_]

Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. In effect, it has been generally interpreted that fiscal year spending approximates nonexempt revenue or receipts. Spending excludes spending from certain revenue and financial sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves.

The Amendment requires, with certain exceptions, voter approval prior to imposing new taxes, increasing tax rates, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

The entity levied X mills for property taxes to be collected in 20XX and 20XX. **(Note: If the mill levy is different, this must be**

**explained.)**

Except for bond refinancing at lower interest rates or adding employees to existing pension plans, the Amendment specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or irrevocably pledging present cash reserves for all future payments. [During \_\_\_\_\_ 20XX, the entity entered into a multiple-fiscal year obligation with \_\_\_\_\_. The entity has irrevocably pledged \$\_\_\_\_\_ in the \_\_\_\_\_ Fund.]

The Amendment requires that Emergency Reserves be established. These reserves must be at least 3 percent of Fiscal Year Spending (excluding bonded debt service) in years after 1994. Emergency reserves as of \_\_\_\_\_, totaling \$\_\_\_\_\_ have been presented as a reservation of fund balance in the following funds: \_\_\_\_\_. The entity is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The Amendment is complex and subject to judicial interpretation. The entity believes it is in compliance with the requirements of the Amendment. However, the entity has made certain interpretations in the Amendment's language in order to determine its compliance.

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**Risk Management**

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## **Risk Management**

### **Introduction**

The main function of public sector risk management is to protect the general public and public assets against accidental loss. Risk management is the systematic identification, analysis and economic control of risks that threaten the assets or earning capacity of a business or government. Managing risk requires identifying risk, responding appropriately, and providing the resources necessary to mitigate risks. Crucial to a well-developed risk management plan is the involvement of risk professionals who work with a local government entity's staff to evaluate, understand and implement a program that is optimal for an entity's risk structure.

To facilitate communication with these professionals, this section provides staff with an overview of basic risk concepts. Although this overview will by no means produce a "risk expert," the reader should benefit by an enhanced sense of "risk awareness" at the workplace.

This section of the *Financial Management Manual* will discuss an Overview of Risk Concepts:

- Step 1 - Risk Definition and Source-Categories
- Step 2 - Risk Affects: Exposure Areas
- Step 3 - Methods of Risk Assessment
- Step 4 - Risk Strategy Implementation
- Step 5 - Risk Plan Production and Monitoring

After establishing this framework, the chapter will then address the Governmental Immunity Act and Financial Reporting for Risk Financing.

In addition, for contact and Web site information about Risk Management, please refer to the Professional and Other Types of Organizations section of the Contacts chapter in the *Manual*. Many organizations such as risk management associations, insurance companies, and self-insurance pools provide extensive risk management guidance to local governments.

### **Overview for Risk Concepts**

#### **Step 1 - Risk Definition and Source-Categories**

Risk is the quantifiable likelihood of loss arising from the future uncertainty of outcomes produced by numerous elements that affect an entity's operations.

As part of the risk management program, entities must understand the generic source-risk-type categories that give rise to the very risk created within these elements :

#### **Inherent Risk**

This is the risk that is integrated into the "nature" of a process or element. In most



cases, the risk is “inherited” just by virtue of existence of the element. For example, cash is inherently more susceptible to theft than less liquid items such as inventories of furniture. Once the “nature” of an element is fully understood, measures can be designed to counter its “inherent” affects.

### **Control Risk**

This is the risk that an entity’s internal control system design fails to provide the correct outcome/treatment for an element. For example, an entity that has a control structure which allows a single person to receive, record and make cash deposits becomes increasingly susceptible to loss exposure resulting from cash received but never deposited. Control procedures to remedy such losses could include segregation of duties over sensitive processes, independent checks, authorization of transactions, and adequate documentation.

### **Detection Risk**

This is the risk that after professional evaluation, a risk area fails to be identified. For example, a professional risk evaluator certifies a building site for construction without considering the possibility of an oil-well under that site. A method of protecting against detection risk is to involve more than one professional in the risk assessment process, so that the likelihood of undetected elements is minimized.

### **Economic Risk**

This is the risk created by the economic conditions at three levels: entity, entity’s industry group, and other industry groups. An example of an economic risk is the bankruptcy of the only major vendor of a certain chemical for sewage treatment, thereby, creating a

shortage of that total chemical supply available on the market. To address this and similar types of risks, entities should avoid over-relying on any one major supplier (i.e. give business to enough vendors, so that the bankruptcy of one supplier does not affect the chemical’s total production in relation to market demand.) The general lesson for minimizing economic risk is to diversify the entity’s suppliers, customers, industry groups and any other variable in which the entity has high stakes.

### **Environmental Risk**

This is the risk created by factors in the entity’s environment. For example, the risk of revenue loss associated with snow-shut-down-days, or the loss of records upon arson of a facility. Such risks may be addressed by assessing “what-if scenarios” and producing related back-up measures (e.g. snow-day measures: all employees are provided with dial-in modems at home to continue work from remote locations; record loss measures: back-up seven years of data on microfiche stored at a separate off-site location).

## **Step 2 - Risk Affects: Exposure Areas**

As a result of the risk generated within the source categories discussed in the preceding section, certain areas of loss exposure can become particularly affected: physical property, computer data and records, human resources, and liability.

### **Physical Property**

Losses to physical property may be the result of fire, theft, accident, natural disaster or other causes. Physical property includes

both real and personal property. Real property is commonly known as real estate and includes buildings, parks, fairgrounds and other public facilities. Personal property includes the building contents, automobiles, equipment, cash, public records, and computers.

Local governments are required to maintain an annual inventory of both real and personal property. Section 29-1-506, C.R.S. requires the government to inventory property whose cost exceeds a certain threshold. The governing body of each local government must set the threshold at an amount not to exceed the State's threshold, currently set at \$5,000.

### **Computer Data and Records**

Aside from the destruction of physical data (see preceding section on physical property), substantial risk exposure also exists in relation to the loss of soft data. Soft data refers to all computer related data that is stored within an operating system and can be lost as a result of an operating system failure. This failure can be the result of a malfunction within the operating system itself or a human error in interacting with the operating system (e.g. deleting important files or data records). Back-up data storage mechanisms should be evaluated to minimize the devastating economic impact caused by information loss (e.g. print and store data record on an off-site location; buy virus protection software; have adequate maintenance staff to solve 'bugs' in the system; have appropriate authorization to access sensitive data; use password protection). Also, see the Records Management chapter of the *Manual*.

### **Human Resources**

Work-related injuries can cause losses from medical expenses and also from the costs of replacing the employee temporarily or

permanently. Decreased productivity due to the absence of workers or training of replacements should also be considered loss costs.

### **Liability**

Liability claims arise from losses suffered due to actions such as negligence, error in providing or failing to provide services, violation of civil rights, or discrimination.

The following are some examples of the types of liability claims that can cause losses for an entity.

#### ***Professional Liability***

Public officials or employees who are in a decision-making or policy-setting capacity are exposed to liability claims. Public officials responsible for making decisions that can have a widespread effect on a community often have liability claims filed against them. For example, land use decisions involving condemnation often result in litigation against public officials.

#### ***Employment Practice Liability***

Employment practice liability can be one of the most costly liability exposures. The climate of our society promotes litigation for wrongful termination, violation of civil rights, discrimination and Americans with Disabilities Act claims.

In addition, law enforcement entities are subject to liability claims for everything from unlawful arrest to responsibility for inmates committing suicide while in custody.

Public entities can encounter liability claims for activities such as spraying herbicides or

pesticides or transporting road paving substances.

### ***General Liability***

Losses can also be incurred by an entity due to general liability claims such as an invasion of privacy, defamation of character, damage to or loss of use of the property of others, and payment of medical expenses for persons other than employees when injured by accident on the entity's premises.

## **Step 3 - Methods of Risk Assessment**

The most important aspect of developing an appropriate risk assessment program is to involve risk professionals in the creation of the risk management plan. These professionals carefully consider several factors, which may otherwise be overlooked or difficult to quantify:

### **Frequency and Severity**

An evaluation is necessary to determine how a particular risk treatment will impact the frequency and severity of a certain loss exposure.

Loss frequency can be studied by reviewing loss history reports and determining how often a loss occurs. Five years of loss history is generally used for determining future losses. For exposures with a large number of claims, such as property claims, a five-year history may suffice. However, liability claims are less predictable and other factors should be considered in addition to the five-year loss history.

Predicting severity or how much a loss could potentially cost is complicated. Assigning current or replacement values to real and

personal property is one part of assessing severity. Other areas for consideration when assessing severity may include loss adjustment expenses such as legal costs in a lawsuit, contractual liability, employment practices or the litigious climate of the community.

### **Risk Tolerance**

An assessment must be completed to understand the level of loss an entity can tolerate as a result of a certain risk exposure. A cost-benefit analysis would determine the financial loss acceptable to an entity if there were no contingent risk management program to address the risk exposure in question.

After the analysis, the entity may find that its financial endurance will be substantially unaffected by certain risks, or that controlling the risk would be too costly for its financial operations. In other circumstances, the entity may decide on its loss tolerance by identifying a "deductible" amount when purchasing commercial insurance.

### **Indirect Expenses/Losses**

Projections must be made to assess how primary losses in a certain area can force governmental entities to incur additional indirect expenses/losses.

Indirect expenses may be incurred to normally function or maintain services to the public. For example, if an administrative building burned down, the public entity would not only have to pay for replacing the building, but may also have to assume costs of cleaning up debris, leasing another building for temporary operations, and



paying employees overtime to reconstruct public records.

Indirect revenue losses may be incurred if revenue producing facilities become unusable. For example, if fairgrounds or stadiums were to become unusable, the entity could lose the income normally generated by those facilities. Other forms of income are taxes, fees for licenses or permits, fines, rent, and charges for services. Any disruption in the ability of a public entity to collect these revenues could create serious financial losses.

### **Community Impact**

An allowance may need to be made for additional government entity costs incurred for community risks that have no direct impact on the government entity's areas of operational risk. For example, even though a flood might occur in an area where the government entity suffers no direct damage (i.e its facilities and assets are unaffected), the government entity may still incur substantial costs in emergency services rendered to the community residents.

## **Step 4 - Risk Strategy Implementation**

The next step after assessing risk loss exposures is to decide how to handle the economic impact of potential losses to those exposures. Risk strategy implementation methods address loss exposures by applying a variety of financing and loss control options.

### **Risk Financing**

Risk financing provides financial protection for the government in the event of a loss. Risk financing can be categorized by either retention or transfer of risk financing responsibilities. However, in many instances, an entity may use a combination of risk

retention and transfer.

### ***Retention***

Governments may opt to assume financial responsibility for some losses. This is accomplished through self-insurance.

With self-insurance the entity assumes financial responsibility for all or part of the losses. This may be achieved by treating some losses as expenses paid for as part of the regular operating budget, setting up a reserve fund to pay for losses, or establishing a line of credit.

The entity must prepare to budget for losses. Many governments use actuaries and other insurance professionals to help them project losses. Proper loss projections are vital to ensure sufficient funds are available to meet the financial demands of risk retention.

### ***Transfer***

Transferring or sharing risk is a technique that removes risk from one area to another or one party to another. Transfer of risk can be achieved through several methods including purchasing commercial insurance, using indemnification or hold harmless agreements, or becoming an additional insured on another's policy.

The most common method of transferring risk is through purchasing insurance. Insurance transfers risk of financial loss from insured to insurer. Insurance can be purchased through the commercial market or through a self-insurance pool. With commercial insurance, the local government enters into purchasing arrangements with a local insurance agent or broker. An insurance agent represents an insurance company or group of insurance companies. A broker



represents the insurance buyer and is free to explore insurance markets for the most suitable coverage and price.

Another risk transfer method involves using an indemnification or hold harmless agreement in which one party agrees to assume some or all of the liability of another in the event of a claim or loss. For example, it is common in construction and other agreements (written or oral) for one party to “assume” the liability of another. The extent to which one holds another harmless varies from contract to contract, or job to job. Great care must be taken when dealing with contractual liability. The assumption of the liability of another, regardless of extent, is a voluntary undertaking that increases exposure to loss and could waive your protection under the Colorado Governmental Immunity Act.

A third method for transferring risk is by becoming an additional insured on another’s policy. “Additional insured” is a person or organization other than the “named insured” that is protected against loss by the terms of the policy. The additional insured is not protected for their own actions, but only if they are sued for injuries due to the actions of the named insured. An example might involve a public entity leasing property from a landlord who requires to be named on the local government’s general liability policy.

### ***Retention and Transfer***

Self-insurance pools, like Colorado Intergovernmental Risk Sharing Agency (CIRSA), enable local governments to join with common entities to pool funds to pay for losses on behalf of the group. In addition, pools offer members the opportunity to tailor insurance coverage, limits and deductibles to meet the risk challenges common to members

of the group. A variety of retention and deductible options within the pools are usually available based on the needs of individual members.

### **Loss Control**

Loss control can primarily be accomplished through three methods: Risk Avoidance, Risk Reduction and Risk Control Management.

#### ***Risk Avoidance***

Risk avoidance involves eliminating the risk producing activity. Although this method is highly effective, it is often impractical because the activity is either legally required to perform or significantly benefits the community’s needs. An example of risk avoidance is to contract with an outside provider to perform a service or to transfer liability contractually.

#### ***Risk Reduction***

Risk reduction reduces the frequency and severity of the losses resulting from a risk by changing operations to reduce the likelihood of a loss, or damage, or both. An example of risk reduction is to prepare detailed contingency plans that would expedite recovery from a loss.

#### ***Risk Control Management***

Risk control refers to effective management techniques used to minimize a loss, after a loss has occurred. Examples of risk control include effective administration and investigation of third party claims; effective application of contingency plans developed in the Risk Avoidance stage; subrogation, which allows an insurer that has paid a loss on behalf of an insured to recover some or all

of the claim costs from the party responsible for the loss.

## **Step 5 - Risk Plan Production and Monitoring**

Securing the support of senior management is paramount to any loss prevention and risk management program. Developing a philosophy and awareness of safety communication at the senior level allows risk management to be taken seriously by all employees.

In addition, the involvement of professionals with risk expertise is crucial to the development of an effective risk development approach. Moreover, using claims administrators and legal counsel who are highly skilled in the intricacies of the Governmental Immunity Act and claims handling processes helps keep claim costs under control.

To ensure that the risk management program is working, steps must be taken to monitor the programs in place. An effective risk management program sets standards of performance, reviews practices to determine if they meet those standards and prescribes appropriate action when standards are not met.

Results and activity standards are two ways of monitoring results of the chosen programs to ensure that the methods are effective.

Results standards can be measured in hard data such as dollars, percentages, loss ratios, and number of lost days. For example if total employee lost time is 30 days per month due to job-related injuries, a result standard of 10 days may be chosen as a goal.

Activity standards measure the efforts taken to meet the goals of the risk management

program. For example, an activity standard may be that each supervisor will teach four safety classes each quarter.

By presenting results and activity standards in measurable units, they can easily be compared to performance goals. If performance is not producing the expected results, a review of the activities may be conducted. It may be discovered that the particular classes being taught are having no impact on the results. A correction can then be made to implement a new program.

Monitoring the program may show that results are meeting goals. Instead of assuming the program is working, the standards should be reviewed to ensure they are not set too low and are being met too easily.

Remaining aware of the changeable conditions of the local government will allow for ease of modifying the direction of the risk management program and ensuring its success.

*In addition to having an awareness of the risk management framework discussed thus far, the local government must also be particularly cognizant of its legal and financial accountability to the public in a variety of sectors, including the two discussed below.*

## **Governmental Immunity Act**

Whether purchasing insurance, self-insuring or entering into contracts that involve insurance, local governments need to pay particular attention to the Colorado Governmental Immunity Act, Section 24-10-101, et seq., C.R.S.

Prior to 1973, public entities in the State of Colorado were protected by sovereign immunity that was common law. In 1973, the Colorado Supreme Court abolished the common law doctrine of sovereign immunity and declared that any immunity would thereafter come from legislated immunity only. The State Legislature then passed the Governmental Immunity Act that applies to all public entities in the State.

The Governmental Immunity Act applies to all liability that lies in tort (negligence) or could lie in tort, and provides immunity for public entities and employees of those entities while acting within the scope of employment, as long as such acts are not willful and wanton.

The Governmental Immunity Act waives immunity in six areas which are, paraphrased: operation of an owned or leased motor vehicle; operation of any public hospital, correctional facility or jail; dangerous condition of any public building; dangerous condition of a public highway, road, or street (within certain defined limits); dangerous condition of any public hospital, jail, public facility located in any park or recreation area maintained by a public entity, or public water, gas, sanitation, electrical, power, or swimming facility; and operation and maintenance of any public water, gas, sanitation, electrical, or swimming facility.

In the six areas of waived immunity, the Act limits the amount of judgements that can be recovered from any public entity. The limit is \$150,000 per person and \$600,000 per occurrence. No person may recover in excess of \$150,000. These immunity limits do not apply to federal claims.

## Financial Reporting for Risk Financing

Governmental Accounting Standards Board (GASB) Statements Number 10 and 30 establish accounting and financial reporting standards for risk financing and insurance-related activities of public entity risk pools and for state and local government entities. Local governments, in general, should disclose a description of the following for risk-related activities:

Risk of loss to which the entity is exposed and the way(s) in which the risks of loss are handled (for example, participant of a public entity risk pool or purchase of commercial insurance).

Nature of participation in a risk pool, if applicable, including the rights and responsibilities of both the entity and the pool.

Significant reductions in insurance coverage from coverage in the prior year by major categories of risk.

A disclosure indicating whether or not settled claims exceeded amount of risk coverage available in any of the past three fiscal years.

In addition, if an entity retains the risk of loss there are additional accounting procedures and disclosures that are required. For more information regarding reporting and disclosures for risk-related activities, refer to GASB Statements Number 10 and 30.



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## **Colorado Revised Statutes**

### **Introduction**

This chapter contains the Colorado Revised Statutes pertaining to local governments. In addition, it contains Article X, Section 20 of the Constitution, also known as the Taxpayer's Bill of Rights (TABOR) and statutes pertaining to TABOR as of 1999. These excerpts are not intended to be all-inclusive of the statutes applicable to local governments.

Statutes can be accessed at any public library, on the Internet through the Colorado Statute Manager Web site, or from the Office of Legislative Legal Services. See the Contacts chapter of the *Manual* for specific contact information.

## **General Local Government-Related Statutes**

### **TITLE 11 FINANCIAL INSTITUTIONS**

#### **ARTICLE 10.5 Public Deposit Protection**

**11-10.5-101. Short title.** This article shall be known and may be cited as the "Public Deposit Protection Act".

**11-10.5-102. Legislative declaration.** (1) The general assembly hereby declares that the purpose of this article is to serve the taxpayers and the citizens of Colorado by establishing standards and procedures to ensure the preservation and protection of all public funds held on deposit by a bank that are either not insured by or are in excess of the insured limits of federal deposit insurance, and to ensure the expedited repayment of such funds in the event of default and subsequent liquidation of a bank which holds such deposits.

(2) The general assembly further finds, determines, and declares that the protection of public funds on deposit in banks is a matter of statewide concern and importance and that as such:

(a) The provisions of this article shall prevail over any local government ordinance or resolution and over any home rule or territorial charter provision in conflict therewith; and

(b) The requirement that a national bank comply with the provisions of this article neither encroaches upon the prerogatives of a nationally chartered bank nor exceeds the authority of the state of Colorado.

**11-10.5-103. Definitions.** As used in this article, unless the context otherwise requires:

(1) "Aggregate uninsured public deposits" means the total amount of cash, checks, or drafts on deposit at the close of a business day for credit to the official custodian accounts in an eligible public depository, and which are either not insured by or are in excess of the insurable limits of federal deposit insurance.

(2) "Bank" means any bank organized or chartered under articles 1 to 11 or 22 of this title or any bank organized or chartered under chapter 2 of Title 12 of the United States Code. For purposes of section 11-10.5-104 and 11-10.5-111 (1) only, the definition of "bank" also includes those banks chartered under the laws of other states.

(3) "Banking board" means the banking board established by section 11-2-102.

(4) "Defaulting depository" means any eligible public depository to which an event of default has occurred.

(5) "Eligible collateral" means, with respect to the securing of uninsured public funds, those instruments or obligations approved to be used for such purposes by the banking board pursuant to the provisions of section 11-10.5-107.

(6) "Eligible public depository" means any bank which has been designated as an eligible public depository by the banking board.

(7) "Event of default" means the issuance of an order by a supervisory authority or a receiver which restrains an eligible public depository from paying its deposit liabilities.

(8) "Federal deposit insurance" means deposit insurance or guarantees provided by the federal deposit insurance corporation or any successor agency thereto.

(9) "Official custodian" means:

(a) A designee with plenary authority, including control over public funds of a public unit which the official custodian is appointed to serve. For purposes of this paragraph (a), "control" includes possession of public funds, as well as the authority to establish accounts for such public funds in banks and to make deposits, withdrawals, or disbursements of such public funds. If the exercise of plenary authority over the public funds of a public unit requires action by or the consent of two or more putative official custodians, then such official custodians shall be treated as one official custodian with respect to such public funds.

(b) A designee, other than a designee described in paragraph (a) of this subsection (9), with authority, including control, over public funds of an entity, including the state of Colorado; any institution, agency, instrumentality, authority, county, municipality, city and county, school district, special district, or other political subdivision of the state of Colorado, including any institution of higher education; any institution, department, agency, instrumentality, or authority of any of the foregoing, including any county or municipal housing authority; any local government investment pool organized pursuant to part 7 of article 75 of title 24, C.R.S.; any public entity insurance pool

organized pursuant to state statute; any public body corporate created or established under the constitution of the state of Colorado or any state statute; and any other entity, organization, or corporation formed by intergovernmental agreement or other contract between or among any of the foregoing. For purposes of this paragraph (b), "control" includes possession of public funds, as well as the authority to establish accounts for such public funds in banks and to make deposits, withdrawals, or disbursements of such public funds. If the exercise of authority over such public funds requires action by or the consent of two or more putative official custodians, then such official custodians shall be treated as one official custodian with respect to such public funds.

(10) (a) "Political subdivision" includes any subdivision or any principal department of a public unit:

(I) The creation of which subdivision or principal department has been expressly authorized by state statute;

(II) To which some functions of government have been delegated by state statute; and

(III) To which funds have been allocated by ordinance or state statute for its exclusive use and control.

(b) "Political subdivision" also includes drainage, irrigation, navigation, improvement, levee, sanitary, school, and power districts and bridge and port authorities and any other special district created by state statute or compact between the state of Colorado and one or more states.

(c) "Political subdivision" does not include subordinate or nonautonomous divisions, agencies, or boards within principal departments of a public unit.

(11) "Public deposits" means all public funds on deposit in an eligible public depository in any form, whether time, savings, or demand.

(12) "Public funds" means all funds of a public unit and all funds of any entity referred to in paragraph (b) of subsection (9) of this section.

(13) "Public unit" means the state of Colorado, any county, city and county, city, or municipality, including any home rule city or town or territorial charter city, or any political subdivision thereof.

**11-10.5-104. Applicability of article.** The provisions of this article shall apply to all banks which elect to become eligible public depositories. No bank shall hold any public funds unless such bank has been designated as an eligible public depository pursuant to the provisions of this article.

**11-10.5-105. Authority of banking board.** The banking board shall have the authority to implement any provision of this article by order and by rule and regulation and may obtain restraining orders and injunctions to prevent violation of or to enforce compliance with the provisions of this article and the orders and rules and regulations issued under such provisions. The authority of the banking board shall be liberally construed to ensure that the purposes of this article are properly implemented.



**11-10.5-106. Designation as eligible public depository - acceptance of provision. (1)**

No bank shall be a public depository or shall hold public funds without first being designated as an eligible public depository by the banking board pursuant to the provisions of this section.

(2) No bank shall be designated an eligible public depository unless the bank meets the following criteria:

(a) The deposits of such bank are insured or guaranteed by federal deposit insurance;

(b) The bank is in compliance with the capital standards established by the banking board;  
and

(c) The bank agrees in writing to abide by all regulatory directives, reporting requirements, examination requirements, and other criteria established for the administration and enforcement of the provisions and purposes of this article.

(3)(a)(I) Any bank which meets the criteria established in subsection (2) of this section and which desires to accept and hold public funds on and after September 1, 1989, shall file a written application with the banking board requesting designation as an eligible public depository. The request shall be signed by an executive officer of the bank and shall state that the bank agrees to abide by the provisions of this article and all rules and regulations promulgated by the banking board for the administration and enforcement of the provisions of this article.

(II) If the bank requesting such designation was an eligible public depository under applicable law in effect prior to September 1, 1989, and desires to continue to be an eligible public depository subject to the provisions of this article, it shall file the required written application within thirty days following August 1, 1989. If the banking board has no reason to believe that the bank would fail to meet the criteria or fail to follow the provisions of this article, it may designate such bank as an eligible public depository and issue an appropriate certificate evidencing such designation. Such immediate designation is provided for the convenience of the banking board in order to expedite transition from laws governing the protection of public funds in effect prior to September 1, 1989, and is not to be construed as granting a right or privilege to any bank to be designated as an eligible public depository.

(III) Any bank which was not an eligible public depository under applicable law in effect prior to September 1, 1989, or any bank which was granted a charter on or after said date, or any bank which has had its certificate as an eligible public depository withdrawn or revoked by either the banking board or the commissioner may at any time make written application to the banking board for designation as an eligible public depository. Such application shall be made on such forms or in such format as may be prescribed by the banking board. Upon submittal, the application shall contain all required information and shall be accompanied by a fee to be determined by the banking board. The banking board shall review the application and, not more than sixty days from the date that the application was submitted, shall either grant and issue or deny issuance of a certificate evidencing such designation. The banking board may extend the sixty-day review period for not more than thirty additional days.

(b) (1) Designation as an eligible public depository shall not constitute either a right or a

license, and such designation may be revoked, suspended, or placed under restrictions, limitations, or other conditions by the banking board if the board determines that the eligible public depository has failed to comply with the provisions of this article or any rule and regulation promulgated by the banking board for the administration or enforcement of this article or with the provisions of any order of the banking board.

(II) Once granted, designation as an eligible public depository may be retained by the bank to which it was granted unless the banking board acts to suspend, revoke, or otherwise limit the designation. Designation is unique to the bank to which it was granted and may not be sold or transferred to another bank. In the event that a bank designated as an eligible public depository is acquired or merged with another entity, the banking board shall review the continuation of such designation under either this paragraph (b) or paragraph (a) of this subsection (3).

**11-10.5-107. Eligible collateral - uninsured public deposits.** (1) The banking board shall establish by rule and regulation a list of approved instruments and obligations to be used as eligible collateral by an eligible public depository in order to comply with the provisions of this section. As part of its findings, the banking board shall determine that each approved obligation or instrument meets at least the following criteria:

(a) The obligation or instrument is characterized by attributes of safety, liquidity, and soundness meeting the purposes of this article for the preservation and protection of public funds;

(b) The obligation or instrument, with respect to its market value, shall be marketable or convertible into cash within such time periods as shall be prescribed by the banking board to assure that any claim made pursuant to section 11-10.5-110 is fully and promptly paid;

(c) The standards and relevant factors required to establish and evaluate the current market value of the obligation or instrument are prescribed by the banking board at the time the obligation or instrument is approved for use as eligible collateral, which standards and relevant factors may include statistical standards for deviations from the original market value assigned at the time of approval for use that would result in an automatic deletion from the list of approved eligible collateral;

(d) The market value of each obligation or instrument is verified at least monthly, unless the banking board prescribes a different period for a particular obligation or instrument;

(e) The banking board has at its disposal adequate resources to monitor and evaluate the market value of the obligation or instrument; and

(f) The obligation or instrument satisfies such other criteria as the banking board may establish.

(2) (a) Except as provided in subsection (4) of this section, the banking board shall not treat any eligible public depository differently than any other eligible public depository.

(b) In promulgating the list of eligible collateral pursuant to subsection (1) of this section, the banking board, within the bounds of safety and soundness, shall not establish market values or

other evaluation criteria which are disproportionately more restrictive for banks than comparable market values or evaluation criteria for any other class of eligible public depositories operating under this article or any other state law. It is the intent of the general assembly that, to the extent practicable, competitive parity among eligible public depositories which existed under applicable law in effect prior to September 1, 1989, should be maintained.

(3) The banking board shall establish procedures to notify each eligible public depository in a timely manner of the obligations and instruments that have been approved for use as eligible collateral and of obligations and instruments that have been deleted from the list of approved eligible collateral. Any eligible public depository utilizing as collateral an obligation or instrument which has been deleted from the list of approved eligible collateral shall, within three business days of receiving notice of the deletion or within such longer period as prescribed by the banking board, remove it from its portfolio of collateral and substitute sufficient other obligations or instruments that are approved for use as eligible collateral to properly secure public funds as required by this article.

(4) (a) The banking board shall, by rule and regulation, establish criteria and procedures for reducing or removing any uninsured public funds deposited in an eligible public depository if said depository fails to comply with the capital standards established by the banking board.

(b) The banking board shall require an eligible public depository to increase, substitute, add to, or modify the amount or type of eligible collateral held to secure any uninsured public funds so that such collateral is adequate to fully protect such public funds if the capital of the eligible public depository fails to comply with the capital standards established by the banking board. The banking board shall establish such procedures as may be necessary to ensure that all collateral held pursuant to an action taken under this paragraph (b) is characterized by the highest degree of marketability and liquidity so that, in the event of default, all public deposits may be promptly and fully repaid.

(5) As an ongoing requirement of designation as an eligible public depository, any such depository shall pledge collateral having a market value in excess of one hundred two percent of the aggregate uninsured public deposits.

(6) An eligible public depository shall remove any obligation or instrument pledged as eligible collateral if the banking board determines that the obligation or instrument has failed in some manner to meet the criteria required by this section and shall substitute another obligation or instrument of eligible collateral that is satisfactory to the banking board.

**11-10.5-108. Collateral - where held - right of substitution - income derived.** (1) (a) Eligible collateral shall be held as provided in this article or by rules and regulations of the banking board. Eligible collateral shall be held in the custody of any bank, including a federal reserve bank, or any depository trust company which has been approved by the banking board to hold eligible collateral and is supervised by the banking board, or an equivalent governmental agency responsible for the regulation of banks in the state in which such bank or depository trust company is located.

(b) An eligible public depository which has its own trust department may make application to the banking board to be allowed to segregate its required eligible collateral from the other assets



of the eligible public depository and to hold such collateral in its own trust department under such conditions as the banking board shall prescribe by rule and regulation. The banking board may require an eligible public depository that is holding its own eligible collateral in its own trust department to cease doing so and to have the eligible collateral held by some other entity authorized to hold collateral by paragraph (a) of this subsection (1). Any eligible public depository which holds collateral for any other eligible public depository and which is granted permission by the banking board to hold its own collateral as well shall at all times keep the collateral held for each such eligible public depository segregated.

(2) Under circumstances where eligible collateral is maintained as required by this article, and where such eligible collateral is not held by the eligible public depository's own trust department, each eligible public depository shall provide in a written deposit or pledge agreement between the said eligible public depository and the custodian of the collateral, or in such other manner as shall be prescribed by the banking board by rule and regulation, that:

(a) In the event of default or insolvency of the eligible public depository for which the collateral is held, the custodian shall surrender such collateral to the banking board; and

(b) The custodian shall make available to the banking board the eligible collateral and any books, records, and papers pertaining thereto for any examination or other reason necessary for the administration of this article.

(3) An eligible public depository may at any time make substitutions of eligible collateral maintained or pledged for the purposes of this article pursuant to collateral substitution procedures established by the banking board and shall at all times be entitled to collect and retain all income derived from such collateral without restriction. The privilege granted under this subsection (3) may be suspended or revoked by the banking board if the eligible public depository has become the subject of increased regulatory oversight as a result of its failure to maintain capital standards required by the banking board for the holding of public funds.

**11-10.5-109. Verification of collateral held - reports required.** (1) Each eligible public depository shall submit reports at least monthly to the banking board in such format as the banking board may prescribe. Such report shall demonstrate that the eligible public depository is in full compliance with the provisions of this article. In addition, each eligible public depository shall submit copies of its quarterly call reports to the banking board thirty days after the close of each fiscal quarter.

(2) The board of directors of an eligible public depository shall cause an annual audit to be completed at least annually, but at intervals of not more than fifteen months, by an independent accounting firm composed of certified public accountants or a director's examination by a public accountant or any other independent person or persons as determined by the banking board. The banking board shall adopt regulations regarding the qualifications of such public accountant and other independent person or persons who shall assume the responsibility for due care in such directors' examinations. The banking board's regulations shall also establish the scope of such directors' examinations which shall include safeguards to insure that such examinations adequately describe the financial condition of the financial institution. Such independent audit or directors' examination shall be completed and submitted to the banking board within the time lines the banking



board requires. Such audits or directors' examinations shall include, but shall not be limited to, the following information:

- (a) The official custodian on whose behalf any public funds are held;
  - (b) The name and address of each such official custodian;
  - (c) The amount of public funds on deposit for each such custodian;
  - (d) The amount of federal deposit insurance coverage for each such official custodian;
  - (e) The eligible collateral pledged for aggregate uninsured public deposits and the market value of such eligible collateral; and
  - (f) Any other information which may be required by the banking board by rule and regulation.
- (3) The banking board may examine all public deposits held by and all eligible collateral required to be maintained by an eligible public depository, and all books, records, and papers pertaining thereto.
- (4) Each eligible public depository shall be assessed reasonable expenses by the banking board to meet the costs of any examinations made in accordance with the provisions of this section.

**11-10.5-110. Procedures when event of default occurs.** (1) When the banking board has determined that an eligible public depository has experienced an event of default, the banking board shall proceed in the following manner:

- (a) The board shall seize and take possession of all eligible collateral belonging to or held on behalf of the defaulting depository from wherever such eligible collateral is held.
- (b) The board shall ascertain the aggregate amounts of public funds held by the defaulting depository as disclosed by the records of such depository. The board shall determine for each official custodian for whom public funds are held by the defaulting depository the accounts and the amount of federal deposit insurance that is available for each account. It shall then determine for each such official custodian the amount of uninsured public funds and the eligible collateral that is pledged to secure such funds. Upon completion of this analysis, the board shall provide each such official custodian with a statement that reports the amount of public funds held by the defaulting depository in his behalf, the amount that may be protected by federal deposit insurance, and the amount that is safeguarded by eligible collateral as required by this article. Each such official custodian shall verify this information from his records within ten working days after receiving the report and information from the banking board.
- (c) Upon receipt of a verified report from such official custodian and if the defaulting eligible public depository is to be liquidated or otherwise removed from status as an eligible public depository, the banking board shall proceed to liquidate all eligible collateral held for the safeguarding of public deposits and shall repay each official custodian for the uninsured public deposits held by the depository in his behalf.

(2) In the event that a federal deposit insurance agency is appointed and acts as liquidator or receiver of any eligible public depository under state or federal law, those duties under this article that are specified to be performed by the banking board in the event of default may be delegated to and performed by the said federal deposit insurance agency. Any liquidation occurring under the provisions of this section shall conform to the procedures established in section 11-5-104, C.R.S.

**11-10.5-111. Public funds to be deposited only in eligible public depositories - responsibilities of official custodians and eligible public depositories - penalty.** (1) Any official custodian may deposit public funds in any bank which has been designated by the banking board as an eligible public depository. It is unlawful for an official custodian to deposit public funds in any bank other than one that has been so designated.

(2) Each official custodian shall inform an eligible public depository that the public funds on deposit are subject to the provisions of this article before entering into a depository agreement with the eligible public depository. It is the responsibility of the official custodian to maintain documents or other verification necessary to properly identify the public funds which are subject to the provisions of this article.

(3) The division, in consultation with the state treasurer and the state controller, shall establish the necessary controls to ensure the proper identification of public depository accounts.

(4) (a) An official custodian who acted in good faith in selecting, designating, or approving any eligible public depository for the deposit of public funds shall not be liable for any loss of public funds deposited in an eligible public depository if such loss is caused by the occurrence of an event of default of such eligible public depository.

(b) Any official custodian who violates the provisions of this article is guilty of a misdemeanor and, upon conviction thereof, shall be punished by a fine of not less than two hundred dollars nor more than five hundred dollars, which fine shall be mandatory and may not be reimbursed nor paid by the public unit. Upon any such conviction, the court may adjudge that the official custodian be removed from public office.

(c) Any director, bank officer, or manager who knowingly violates the provisions of this article is guilty of a misdemeanor and, upon conviction thereof, shall be punished by a fine of not less than two hundred dollars nor more than two thousand dollars, which fine shall be mandatory.

(5) It is unlawful for any director, bank officer, or manager of any bank to accept or receive any public funds while such bank is insolvent or while under verbal or written order from the banking board not to accept or receive any public funds.

(6) Notwithstanding any other provision of this section to the contrary, nothing shall be construed to prevent a bank which is an eligible public depository operating pursuant to the provisions of this article from being or acting as an agent on behalf of any official custodian for the purposes of making investments as authorized by part 6 of article 75 of title 24, C.R.S. Any such bank shall maintain such accounting records as are necessary to readily distinguish between the activities authorized by said part 6 and the purposes of the public deposit protection requirements imposed upon it as a condition of being an eligible public depository. The banking board may

promulgate such rules and regulations as it deems necessary to ensure that the activities authorized under part 6 of article 75 of title 24, C.R.S., and the protection of public funds pursuant to this article are not commingled.

**11-10.5-112. Annual fees and assessments.** (1) There is hereby created in the state treasury the public deposit administration fund. The fund shall consist of moneys required to be credited to the fund pursuant to subsection (2) of this section and all interest earned on the investment of the moneys in the fund. Any such interest shall be credited at least annually to said fund. Moneys in the fund shall be subject to appropriation by the general assembly to the banking board to be used solely for the administration and enforcement of the provisions of this article. No moneys shall be appropriated from the general fund for payment of any expenses incurred under this section, and no such expenses shall be charged against the state.

(2) Every eligible public depository shall be assessed an annual fee in an amount established by the banking board for the costs of enforcement and administration of this article. Such fees shall fairly and equitably apply to all eligible public depositories calculated according to the proportion of aggregate public funds that each depository holds in relation to the total of all aggregate public deposits held by all eligible public depositories for each annual period for which they were eligible public depositories. The banking board shall transmit such fees to the state treasurer who shall credit the same to the public deposit administration fund.

(3) All fees assessed against an eligible public depository in accordance with the provisions of section 11-10.5-109 (4) shall be transmitted to the state treasurer who shall credit the same to the public deposit administration fund.

(4) In setting fees, the banking board shall apply the standards imposed on boards and commissions of the division of registrations in the department of regulatory agencies for determining the amount of fees pursuant to the provisions of section 24-34-105 (2) (b) and (2) (c), C.R.S.

**TITLE 24  
GOVERNMENT-STATE**

**ARTICLE 72  
Public Records**

**PART 2  
INSPECTION, COPYING, OR PHOTOGRAPHING**

**24-72-201. Legislative declaration.** It is declared to be the public policy of this state that all public records shall be open for inspection by any person at reasonable times, except as provided in this part 2 or as otherwise specifically provided by law.

**24-72-202. Definitions.** As used in this part 2, unless the context otherwise requires:

(1) "Correspondence" means a communication that is sent to or received by one or more specifically identified individuals and that is or can be produced in written form, including, without limitation:

- (a) Communications sent via U.S. mail;
- (b) Communications sent via private courier;
- (c) Communications sent via electronic mail.

(1.1) "Custodian" means and includes the official custodian or any authorized person having personal custody and control of the public records in question.

(1.2) "Electronic mail" means an electronic message that is transmitted between two or more computers or electronic terminals, whether or not the message is converted to hard copy format after receipt and whether or not the message is viewed upon transmission or stored for later retrieval. "Electronic mail" includes electronic messages that are transmitted through a local, regional, or global computer network.

(1.3) "Executive position" means any nonelective employment position with a state agency, institution, or political subdivision, except employment positions in the state personnel system or employment positions in a classified system or civil service system of an institution or political subdivision.

(1.5) "Institution" includes but is not limited to every state institution of higher education, whether established by the state constitution or by law, and every governing board thereof. In particular, the term includes the university of Colorado, the regents thereof, and any other state institution of higher education or governing board referred to by the provisions of section 5 of article VIII of the state constitution.

(1.7) "Local government-financed entity" shall have the same meaning as provided in



section 29-1-901 (1), C.R.S.

(2) "Official custodian" means and includes any officer or employee of the state, of any agency, institution, or political subdivision of the state, or of any local government-financed entity who is responsible for the maintenance, care, and keeping of public records, regardless of whether the records are in his or her actual personal custody and control.

(3) "Person" means and includes any natural person, including any public employee and any elected or appointed public official acting in an official or personal capacity, and any corporation, limited liability company, partnership, firm, or association.

(4) "Person in interest" means and includes the person who is the subject of a record or any representative designated by said person; except that, if the subject of the record is under legal disability, "person in interest" means and includes his parent or duly appointed legal representative.

(4.5) "Personnel files" means and includes home addresses, telephone numbers, financial information, and other information maintained because of the employer-employee relationship, and other documents specifically exempt from disclosure under this part 2 or any other provision of law. "Personnel files" does not include applications of past or current employees, employment agreements, any amount paid or benefit provided incident to termination of employment, performance ratings, final sabbatical reports required under section 23-5-123, C.R.S., or any compensation, including expense allowances and benefits, paid to employees by the state, its agencies, institutions, or political subdivisions.

(5) "Political subdivision" means and includes every county, city and county, city, town, school district, special district, public highway authority, rural transportation authority, and housing authority within this state.

(6)(a)(I) "Public records" means and includes all writings made, maintained, or kept by the state, any agency, institution, a nonprofit corporation incorporated pursuant to section 23-5-121 (2), C.R.S., or political subdivision of the state, or that are described in section 29-1-902, C.R.S., and held by any local government-financed entity for use in the exercise of functions required or authorized by law or administrative rule or involving the receipt or expenditure of public funds.

(II) "Public records" includes the correspondence of elected officials, except to the extent that such correspondence is:

(A) Work product;

(B) Without a demonstrable connection to the exercise of functions required or authorized by law or administrative rule and does not involve the receipt or expenditure of public funds;

(C) A communication from a constituent to an elected official that clearly implies by its nature or content that the constituent expects that it is confidential or a communication from the elected official in response to such a communication from a constituent; or

(D) Subject to nondisclosure as required in section 24-72-204 (1).

(III) The acceptance by a public official or employee of compensation for services rendered, or the use by such official or employee of publicly owned equipment or supplies, shall not be construed to convert a writing that is not otherwise a "public record" into a "public record".

(b) "Public records" does not include:

(I) Criminal justice records that are subject to the provisions of part 3 of this article;

(II) Work product prepared for elected officials. However, elected officials may release, or authorize the release of, all or any part of work product prepared for them.

(III) Data, information, and records relating to Colorado student obligation bond authority programs pursuant to sections 23-3.1-225 and 23-3.1-307.5, C.R.S., as follows:

(A) Data, information, and records relating to individual purchasers and qualified beneficiaries of advance payment contracts under the prepaid expense trust fund and the prepaid expense program, including any records that reveal personally identifiable information about such individuals;

(B) Data, information, and records relating to designated beneficiaries of and individual contributors to an individual trust account or savings account under the college savings program, including any records that reveal personally identifiable information about such individuals;

(C) Trade secrets and proprietary information regarding software, including programs and source codes, utilized or owned by the authority; and

(D) Marketing plans and the results of market surveys conducted by the authority.

(IV) Materials received, made, or kept by a crime victim compensation board or a district attorney that are confidential pursuant to the provisions of section 24-4.1-107.5.

(V) Notification of a possible nonaccidental fire loss or fraudulent insurance act given to an authorized agency pursuant to section 10-4-1003(1), C.R.S.

(6.5) (a) "Work product" means and includes all intra- or inter-agency advisory or deliberative materials assembled for the benefit of elected officials, which materials express an opinion or are deliberative in nature and are communicated for the purpose of assisting such elected officials in reaching a decision within the scope of their authority. Such materials include, but are not limited to:

(I) Notes and memoranda that relate to or serve as background information for such decisions;

(II) Preliminary drafts and discussion copies of documents that express a decision by an elected official.

(b) "Work product" also includes all documents relating to the drafting of bills or

amendments, pursuant to section 2-3-505 (2) (b), C.R.S., but it does not include the final version of documents prepared or assembled pursuant to section 2-3-505 (2) (c), C.R.S. "Work product" also includes all research projects conducted by staff of legislative council pursuant to section 2-3-304 (1), C.R.S., if the research is requested by a member of the general assembly and identified by the member as being in connection with pending or proposed legislation or amendments thereto. However, the final product of any such research project shall become a public record unless the member specifically requests that it remain work product. In addition, if such a research project is requested by a member of the general assembly and the project is not identified as being in connection with pending or proposed legislation or amendments thereto, the final product shall become a public record.

(c) "Work product" does not include:

(I) Any final version of a document that expresses a final decision by an elected official;

(II) Any final version of a fiscal or performance audit report or similar document the purpose of which is to investigate, track, or account for the operation or management of a public entity or the expenditure of public money, together with the final version of any supporting material attached to such final report or document;

(III) Any final accounting or final financial record or report;

(IV) Any materials that would otherwise constitute work product if such materials are produced and distributed to the members of a public body for their use or consideration in a public meeting or cited and identified in the text of the final version of a document that expresses a decision by an elected official.

(d)(1) In addition, "work product" does not include any final version of a document prepared or assembled for an elected official that consists solely of factual information compiled from public sources. The final version of such a document shall be a public record. These documents include, but are not limited to:

(A) Comparisons of existing laws, ordinances, rules, or regulations with the provisions of any bill, amendment, or proposed law, ordinance, rule, or regulation; comparisons of any bills, amendments, or proposed laws, ordinances, rules, or regulations with other bills, amendments, or proposed laws, ordinances, rules, or regulations; comparisons of different versions of bills, amendments, or proposed laws, ordinances, rules, or regulations; and comparisons of the laws, ordinances, rules, or regulations of the jurisdiction of the elected official with the laws, ordinances, rules, or regulations of other jurisdictions;

(B) Compilations of existing public information, statistics, or data;

(C) Compilations or explanations of general areas or bodies of law, ordinances, rules, or regulations, legislative history, or legislative policy.

(II) This paragraph (d) shall not apply to documents prepared or assembled for members of the general assembly pursuant to paragraph (b) of this subsection (6.5).



(7) "Writings" means and includes all books, papers, maps, photographs, cards, tapes, recordings, or other documentary materials, regardless of physical form or characteristics. "Writings" includes digitally stored data, including without limitation electronic mail messages, but does not include computer software.

(8) For purposes of subsection (6) and (6.5) of this section and sections 24-72-203 (2) (b) and 24-6-402 (2) (d) (III), the members of the Colorado reapportionment commission shall be considered elected officials.

**24-72-203. Public records open to inspection.** (1) (a) All public records shall be open for inspection by any person at reasonable times, except as provided in this part 2 or as otherwise provided by law, but the official custodian of any public records may make such rules with reference to the inspection of such records as are reasonably necessary for the protection of such records and the prevention of unnecessary interference with the regular discharge of the duties of the custodian or the custodian's office.

(b) Where public records are kept only in miniaturized or digital form, whether on magnetic or optical disks, tapes, microfilm, microfiche, or otherwise, the official custodian shall:

(I) Adopt a policy regarding the retention, archiving, and destruction of such records; and

(II) Take such measures as are necessary to assist the public in locating any specific public records sought and to ensure public access to the public records without unreasonable delay or unreasonable cost. Such measures may include, without limitation, the availability of viewing stations for public records kept on microfiche; the provision of portable disk copies of computer files; or direct electronic access via on-line bulletin boards or other means.

(2) (a) If the public records requested are not in the custody or control of the person to whom application is made, such person shall forthwith notify the applicant of this fact, in writing if requested by the applicant. In such notification, the person shall state in detail to the best of the person's knowledge and belief the reason for the absence of the records from the person's custody or control, the location of the records, and what person then has custody or control of the records.

(b) If an official custodian has custody of correspondence sent by or received by an elected official, the official custodian shall consult with the elected official prior to allowing inspection of the correspondence for the purpose of determining whether the correspondence is a public record.

(3) (a) If the public records requested are in the custody and control of the person to whom application is made but are in active use, in storage, or otherwise not readily available at the time an applicant asks to examine them, the custodian shall forthwith notify the applicant of this fact, in writing if requested by the applicant. If requested by the applicant, the custodian shall set a date and hour at which time the records will be available for inspection.

(b) The date and hour set for the inspection of records not readily available at the time of the request shall be within a reasonable time after the request. As used in this subsection (3), a "reasonable time" shall be presumed to be three working days or less. Such period may be extended if extenuating circumstances exist. However, such period of extension shall not exceed seven



working days. A finding that extenuating circumstances exist shall be made in writing by the custodian and shall be provided to the person making the request within the three-day period. Extenuating circumstances shall apply only when:

(I) A broadly stated request is made that encompasses all or substantially all of a large category of records and the request is without sufficient specificity to allow the custodian reasonably to prepare or gather the records within the three-day period; or

(II) A broadly stated request is made that encompasses all or substantially all of a large category of records and the agency is unable to prepare or gather the records within the three-day period because:

(A) The agency needs to devote all or substantially all of its resources to meeting an impending deadline or period of peak demand that is either unique or not predicted to recur more frequently than once a month; or

(B) In the case of the general assembly or its staff or service agencies, the general assembly is in session; or

(III) A request involves such a large volume of records that the custodian cannot reasonably prepare or gather the records within the three-day period without substantially interfering with the custodian's obligation to perform his or her other public service responsibilities.

(c) In no event can extenuating circumstances apply to a request that relates to a single, specifically identified document.

(4) Nothing in this article shall preclude the state or any of its agencies, institutions, or political subdivisions from obtaining and enforcing trademark or copyright protection for any public record, and the state and its agencies, institutions, and political subdivisions are hereby specifically authorized to obtain and enforce such protection in accordance with the applicable federal law; except that this authorization shall not restrict public access to or fair use of copyrighted materials and shall not apply to writings which are merely lists or other compilations.

**24-72-204. Allowance or denial of inspection - grounds - procedure - appeal.** (1) The custodian of any public records shall allow any person the right of inspection of such records or any portion thereof except on one or more of the following grounds or as provided in subsection (2) or (3) of this section:

(a) Such inspection would be contrary to any state statute.

(b) Such inspection would be contrary to any federal statute or regulation issued thereunder having the force and effect of law.

(c) Such inspection is prohibited by rules promulgated by the supreme court or by the order of any court.

(d) Such inspection would be contrary to the requirements of any joint rule of the senate and the house of representatives pertaining to lobbying practices.

(2) (a) The custodian may deny the right of inspection of the following records, unless otherwise provided by law, on the ground that disclosure to the applicant would be contrary to the public interest:

(I) Any records of the investigations conducted by any sheriff, prosecuting attorney, or police department, any records of the intelligence information or security procedures of any sheriff, prosecuting attorney, or police department, or any investigatory files compiled for any other law enforcement purpose;

(II) Test questions, scoring keys, and other examination data pertaining to administration of a licensing examination, examination for employment, or academic examination; except that written promotional examinations and the scores or results thereof conducted pursuant to the state personnel system or any similar system shall be available for inspection, but not copying or reproduction, by the person in interest after the conducting and grading of any such examination;

(III) The specific details of bona fide research projects being conducted by a state institution, including, without limitation, research projects undertaken by staff or service agencies of the general assembly or the office of the governor in connection with pending or anticipated legislation;

(IV) The contents of real estate appraisals made for the state or a political subdivision thereof relative to the acquisition of property or any interest in property for public use, until such time as title to the property or property interest has passed to the state or political subdivision; except that the contents of such appraisal shall be available to the owner of the property, if a condemning authority determines that it intends to acquire said property as provided in section 38-1-121, C.R.S., relating to eminent domain proceedings, but, in any case, the contents of such appraisal shall be available to the owner under this section no later than one year after the condemning authority receives said appraisal; and except as provided by the Colorado rules of civil procedure. If condemnation proceedings are instituted to acquire any such property, any owner of such property who has received the contents of any appraisal pursuant to this section shall, upon receipt thereof, make available to said state or political subdivision a copy of the contents of any appraisal which the owner has obtained relative to the proposed acquisition of the property;

(V) Any market analysis data generated by the department of transportation's bid analysis and management system for the confidential use of the department of transportation in awarding contracts for construction or for the purchase of goods or services and any records, documents, and automated systems prepared for the bid analysis and management system; and

(VI) Records and information relating to the identification of persons filed with, maintained by, or prepared by the department of revenue pursuant to section 42-2-121, C.R.S.

(b) If the right of inspection of any record falling within any of the classifications listed in this subsection (2) is allowed to any officer or employee of any newspaper, radio station, television station, or other person or agency in the business of public dissemination of news or current events, it shall be allowed to all such news media.

(c) Notwithstanding any provision to the contrary in subparagraph (I) of paragraph (a) of this subsection (2), the custodian shall deny the right of inspection of any materials received, made, or kept by a crime victim compensation board or a district attorney that are confidential pursuant to the provisions of section 24-4.1-107.5.

(3) (a) The custodian shall deny the right of inspection of the following records, unless otherwise provided by law; except that any of the following records, other than letters of reference concerning employment, licensing, or issuance of permits, shall be available to the person in interest under this subsection (3):

(I) Medical, mental health, sociological, and scholastic achievement data on individual persons, other than scholastic achievement data submitted as part of finalists' records as set forth in subparagraph (XI) of this paragraph (a) and exclusive of coroners' autopsy reports and group scholastic achievement data from which individuals cannot be identified; but either the custodian or the person in interest may request a professionally qualified person, who shall be furnished by the said custodian, to be present to interpret the records;

(II) (A) Personnel files; but such files shall be available to the person in interest and to the duly elected and appointed public officials who supervise such person's work.

(B) The provisions of this subparagraph (II) shall not be interpreted to prevent the public inspection or copying of any employment contract or any information regarding amounts paid or benefits provided under any settlement agreement pursuant to the provisions of article 19 of this title.

(III) Letters of reference;

(IV) Trade secrets, privileged information, and confidential commercial, financial, geological, or geophysical data furnished by or obtained from any person;

(V) Library and museum material contributed by private persons, to the extent of any limitations placed thereon as conditions of such contributions;

(VI) Addresses and telephone numbers of students in any public elementary or secondary school;

(VII) Library records disclosing the identity of a user as prohibited by section 24-90-119;

(VIII) Repealed.

(IX) Addresses, telephone numbers, and personal financial information of past or present users of public utilities, public facilities, or recreational or cultural services which are owned and operated by the state, its agencies, institutions, or political subdivisions; except that, nothing in this subparagraph (IX) shall prohibit the custodian of records from transmitting such data to any peace officer, as defined in section 18-1-901 (3) (I) (I), (3) (I) (II), and (3) (I) (III), C.R.S., acting within the scope of such officer's authority and in furtherance of such officer's duties, who makes a request to the custodian to inspect such records and who provides evidence satisfactory to the custodian that



the inspection is reasonably related to such peace officer's authority and duties. Nothing in this subparagraph (IX) shall be construed to prohibit the publication of such information in an aggregate or statistical form so classified as to prevent the identification, location, or habits of individuals.

(X) (A) Any records of sexual harassment complaints and investigations, whether or not such records are maintained as part of a personnel file; except that, an administrative agency investigating the complaint may, upon a showing of necessity to the custodian of records, gain access to information necessary to the investigation of such a complaint. This sub-subparagraph (A) shall not apply to records of sexual harassment complaints and investigations that are included in court files and records of court proceedings. Disclosure of all or a part of any records of sexual harassment complaints and investigations to the person in interest is permissible to the extent that the disclosure can be made without permitting the identification, as a result of the disclosure, of any individual involved. This sub-subparagraph (A) shall not preclude disclosure of all or part of the results of an investigation of the general employment policies and procedures of an agency, office, department, or division, to the extent that the disclosure can be made without permitting the identification, as a result of the disclosure, of any individual involved.

(B) A person in interest under this subparagraph (X) includes the person making a complaint and the person whose conduct is the subject of such a complaint.

(C) A person in interest may make a record maintained pursuant to this subparagraph (X) available for public inspection when such record supports the contention that a publicly reported, written, printed, or spoken allegation of sexual harassment against such person is false.

(XI) (A) Records submitted by or on behalf of an applicant or candidate for an executive position as defined in section 24-72-202 (1.3) who is not a finalist. For purposes of this subparagraph (XI), "finalist" means an applicant or candidate for an executive position as the chief executive officer of a state agency, institution, or political subdivision or agency thereof who is a member of the final group of applications or candidates made public pursuant to section 24-6-402(3.5), and if only three or fewer applications or candidates for the chief executive officer position possess the minimum qualifications for the position, said applicants or candidates shall be considered finalists.

(B) The provisions of this subparagraph (XI) shall not be construed to prohibit the public inspection or copying of any records submitted by or on behalf of a finalist; except that letters of reference or medical, psychological, and sociological data concerning finalists shall not be made available for public inspection or copying.

(C) The provisions of this subparagraph (XI) shall apply to employment selection processes for all executive positions, including, but not limited to, selection processes conducted or assisted by private persons or firms at the request of a state agency, institution, or political subdivision.

(XII) Any record indicating that a person has obtained distinguishing license plates or an identifying placard for persons with disabilities under section 42-3-121, C.R.S., or any other motor vehicle record that would reveal the presence of a disability.

(XIII) Records protected under the common law governmental or "deliberative process"



privilege, if the material is so candid or personal that public disclosure is likely to stifle honest and frank discussion within the government, unless the privilege has been waived. The general assembly hereby finds and declares that in some circumstances, public disclosure of such records may cause substantial injury to the public interest. If any public record is withheld pursuant to this subparagraph (XIII), the custodian shall provide the applicant with a sworn statement specifically describing each document withheld, explaining why each such document is privileged, and why disclosure would cause substantial injury to the public interest. If the applicant so requests, the custodian shall apply to the district court for an order permitting him or her to restrict disclosure. The application shall be subject to the procedures and burden of proof provided for in subsection (6) of this section. All persons entitled to claim the privilege with respect to the records in issue shall be given notice of the proceedings and shall have the right to appear and be heard. In determining whether disclosure of the records would cause substantial injury to the public interest, the court shall weigh, based on the circumstances presented in the particular case, the public interest in honest and frank discussion within government and the beneficial effects of public scrutiny upon the quality of governmental decision-making and public confidence therein.

(XIV) Veterinary medical data, information, and records on individual animals that are owned by private individuals or business entities, but are in the custody of a veterinary medical practice or hospital, including the veterinary teaching hospital at Colorado state university, that provides veterinary medical care and treatment to animals. A veterinary-patient-client privilege exists with respect to such data, information, and records only when a person in interest and a veterinarian enter into a mutual agreement to provide medical treatment for an individual animal and such person in interest maintains an ownership interest in such animal undergoing treatment. For purposes of this subparagraph (XIV), "person in interest" means the owner of an animal undergoing veterinary medical treatment or such owner's designated representative. Nothing in this subparagraph (XIV) shall prevent the state agricultural commission or the state board of veterinary medicine from exercising its investigatory and enforcement powers and duties granted pursuant to sections 35-1-106 (1) (h) and 12-64-105 (9) (e), C.R.S., respectively.

(XV) Nominations submitted to a state institution of higher education for the awarding of honorary degrees, medals, and other honorary awards by the institution, proposals submitted to a state institution of higher education for the naming of a building or a portion of a building for a person or persons, and records submitted to a state institution of higher education in support of such nominations and proposals.

(XVI) Specialized details of security arrangements or investigations.

(XVII) Specialized details of security arrangements or investigations. Nothing in this subparagraph (XVII) shall prohibit the custodian from transferring such records to the office of preparedness, security, and fire safety in the department of public safety, the governing body of any city, county, or city and county, or any federal, state, or local law enforcement agency; except that the custodian shall not transfer any record received from a nongovernmental entity without the prior written consent of such entity unless such information is already publicly available. For purposes of this section, records received by the office of preparedness, security, and fire safety in the Department of Public Safety in connection with the performance of its duties and records received by any state agency or political subdivision of the state from or on behalf of the office of preparedness, security, and fire safety shall constitute specialized details of security arrangements

or investigations.

(b) Nothing in this subsection (3) shall prohibit the custodian of records from transmitting data concerning the scholastic achievement of any student to any prospective employer of such student, nor shall anything in this subsection (3) prohibit the custodian of records from making available for inspection, from making copies, print-outs, or photographs of, or from transmitting data concerning the scholastic achievement or medical, psychological, or sociological information of any student to any law enforcement agency of this state, of any other state, or of the United States where such student is under investigation by such agency and the agency shows that such data is necessary for the investigation.

(c) Nothing in this subsection (3) shall prohibit the custodian of the records of a school, including any institution of higher education, or a school district from transmitting data concerning standardized tests, scholastic achievement, disciplinary information involving a student, or medical, psychological, or sociological information of any student to the custodian of such records in any other such school or school district to which such student moves, transfers, or makes application for transfer, and the written permission of such student or his or her parent or guardian shall not be required therefor. No state educational institution shall be prohibited from transmitting data concerning standardized tests or scholastic achievement of any student to the custodian of such records in the school, including any state educational institution, or school district in which such student was previously enrolled, and the written permission of such student or his or her parent or guardian shall not be required therefor.

(d) The provisions of this paragraph (d) shall apply to all public schools and school districts that receive funds under article 54 of title 22, C.R.S. Notwithstanding the provisions of subparagraph (VI) of paragraph (a) of this subsection (3), under policies adopted by the local board of education, the names, addresses, and home telephone numbers of students in any secondary school shall be released to a recruiting officer for any branch of the United States armed forces who requests such information, subject to the following:

(I) Each local board of education shall adopt a policy to govern the release of the names, addresses, and home telephone numbers of secondary school students to military recruiting officers that provides that such information shall be released to recruiting officers unless a student submits a request, in writing, that such information not be released.

(II) The directory information requested by a recruiting officer shall be released by the local board of education within ninety days of the date of the request.

(III) The local board of education shall comply with any applicable provisions of the federal "Family Education Rights and Privacy Act of 1974" (FERPA), 20 U.S.C. section 1232g, and the federal regulations cited thereunder relating to the release of student information by educational institutions that receive federal funds.

(IV) Actual direct expenses incurred in furnishing this information shall be paid for by the requesting service and shall be reasonable and customary.

(V) The recruiting officer shall use the data released for the purpose of providing

information to students regarding military service and shall not use it for any other purpose or release such data to any person or organization other than individuals within the recruiting services of the armed forces.

(e) (I) The provisions of this paragraph (e) shall apply to all public schools and school districts. Notwithstanding the provisions of subparagraph (I) of paragraph (a) of this subsection (3), under policies adopted by each local board of education, consistent with applicable provisions of the federal "Family Education Rights and Privacy Act of 1974" (FERPA), 20 U.S.C. Sec. 1232g, and all federal regulations and applicable guidelines adopted thereto, information directly related to a student and maintained by a public school or person acting for the public school shall be available for release if the disclosure meets one or more of the following conditions:

(A) The disclosure is to other school officials, including teachers, working in the school at which the student is enrolled who have specific and legitimate educational interests in the information for use in furthering the student's academic achievement or maintaining a safe and orderly learning environment;

(B) The disclosure is to officials of a school at which the student seeks or intends to enroll or the disclosure is to officials at a school at which the student is currently enrolled or receiving services, after making a reasonable attempt to notify the student's parent or legal guardian or the student if he or she is at least eighteen years of age or attending an institution of postsecondary education, as prescribed by federal regulation;

(C) The disclosure is to state or local officials or authorities if the disclosure concerns the juvenile justice system and the system's ability to serve effectively, prior to adjudication, the student whose records are disclosed and if the officials and authorities to whom the records are disclosed certify in writing that the information shall not be disclosed to any other party, except as otherwise provided by law, without the prior written consent of the student's parent or legal guardian or of the student if he or she is at least eighteen years of age or is attending an institution of postsecondary education;

(D) The disclosure is to comply with a judicial order or a lawfully issued subpoena, if a reasonable effort is made to notify the student's parent or legal guardian or the student if he or she is at least eighteen years of age or is attending a postsecondary institution about the order or subpoena in advance of compliance, so that such parent, legal guardian, or student is provided an opportunity to seek protective action, unless the disclosure is in compliance with a federal grand jury subpoena or any other subpoena issued for a law enforcement purpose and the court or the issuing agency has ordered that the existence or contents of the subpoena or the information furnished in response to the subpoena not be disclosed;

(E) The disclosure is in connection with an emergency if knowledge of the information is necessary to protect the health or safety of the student or other individuals, as specifically prescribed by federal regulation.

(II) Nothing in this paragraph (e) shall prevent public school administrators, teachers, or staff from disclosing information derived from personal knowledge or observation and not derived from a student's record maintained by a public school or person acting for the public school.



(3.5) (a) Effective January 1, 1992, any individual who meets the requirements of this subsection (3.5) may request that the address of such individual included in any public records concerning that individual which are required to be made, maintained, or kept pursuant to the following sections be kept confidential:

(I) Sections 1-2-227 and 1-2-301, C.R.S.;

(III) Section 24-6-202.

(b) (I) An individual may make the request of confidentiality allowed by this subsection (3.5) if such individual has reason to believe that such individual, or any member of such individual's immediate family who resides in the same household as such individual, will be exposed to criminal harassment as prohibited in section 18-9-111, C.R.S., or otherwise be in danger of bodily harm, if such individual's address is not kept confidential in accordance with this subsection (3.5).

(II) A request of confidentiality with respect to records described in subparagraph (I) of paragraph (a) of this subsection (3.5) shall be made in person in the office of the county clerk and recorder of the county where the individual making the request resides. Requests shall be made on application forms approved by the secretary of state, after consultation with county clerk and recorders. The application form shall provide space for the applicant to provide his or her name and address, date of birth, and any other identifying information determined by the secretary of state to be necessary to carry out the provisions of this subsection (3.5). In addition, an affirmation shall be printed on the form, in the area immediately above a line for the applicant's signature and the date, stating the following: "I swear or affirm, under penalty of perjury, that I have reason to believe that I, or a member of my immediate family who resides in my household, will be exposed to criminal harassment, or otherwise be in danger of bodily harm, if my address is not kept confidential." Immediately below the signature line, there shall be printed a notice, in a type that is larger than the other information contained on the form, that the applicant may be prosecuted for perjury in the second degree under section 18-8-503, C.R.S., if the applicant signs such affirmation and does not believe such affirmation to be true.

(III) The county clerk and recorder of each county shall provide an opportunity for any individual to make the request of confidentiality allowed by this subsection (3.5) in person at the time such individual makes application to the county clerk and recorder to register to vote or to make any change in such individual's registration, and at any other time during normal business hours of the office of the county clerk and recorder. The county clerk and recorder shall forward a copy of each completed application to the secretary of state for purposes of the records maintained by him or her pursuant to subparagraph (I) of paragraph (a) of this subsection (3.5). The county clerk and recorder shall collect a processing fee in the amount of five dollars, of which amount two dollars and fifty cents shall be transmitted to the secretary of state for the purpose of offsetting the secretary of state's costs of processing applications forwarded to the secretary of state pursuant to this subparagraph (III). All processing fees received by the secretary of state pursuant to this subparagraph (III) shall be transmitted to the state treasurer, who shall credit the same to the department of state cash fund.

(IV) The secretary of state shall provide an opportunity for any individual to make the request of confidentiality allowed by paragraph (a) of this subsection (3.5), with respect to the



records described in subparagraph (III) of paragraph (a) of this subsection (3.5). The secretary of state may charge a processing fee, not to exceed five dollars, for each such request. All processing fees collected by the secretary of state pursuant to this subparagraph (IV) or subparagraph (III) of this paragraph (b) shall be transmitted to the state treasurer, who shall credit the same to the department of state cash fund.

(V) Notwithstanding the amount specified for any fee in subparagraph (III) or (IV) of this paragraph (b), the secretary of state by rule or as otherwise provided by law may reduce the amount of one or more of the fees credited to the department of state cash fund if necessary pursuant to section 24-75-402 (3), to reduce the uncommitted reserves of the fund to which all or any portion of one or more of the fees is credited. After the uncommitted reserves of the fund are sufficiently reduced, the secretary of state, by rule or as otherwise provided by law may increase the amount of one or more of the fees as provided in section 24-75-402 (4).

(c) The custodian of any records described in paragraph (a) of this subsection (3.5) which concern an individual who has made a request of confidentiality pursuant to this subsection (3.5) and paid any required processing fee shall deny the right of inspection of the individual's address contained in such records on the ground that disclosure would be contrary to the public interest; except that such custodian shall allow the inspection of such records by such individual, by any person authorized in writing by such individual, and by any individual employed by one of the following entities who makes a request to the custodian to inspect such records and who provides evidence satisfactory to the custodian that the inspection is reasonably related to the authorized purpose of the employing entity:

(I) A criminal justice agency, as defined by section 24-72-302 (3);

(II) An agency of the United States, the state of Colorado, or of any political subdivision or authority thereof;

(III) A person required to obtain such individual's address in order to comply with federal or state law or regulations adopted pursuant thereto;

(IV) An insurance company which has a valid certificate of authority to transact insurance business in Colorado as required in section 10-3-105 (1), C.R.S.;

(V) A collection agency which has a valid license as required by section 12-14-115 (1), C.R.S.;

(VI) A supervised lender licensed pursuant to section 5-1-301(46), C.R.S.;

(VII) A bank as defined in section 11-1-102 (2), C.R.S., an industrial bank as defined in section 11-22-101 (1), C.R.S., a trust company as defined in section 11-23-102(11), C.R.S., a credit union as defined in section 11-30-101 (1), C.R.S., a domestic savings and loan association as defined in section 11-40-102 (5), C.R.S., a foreign savings and loan association as defined in section 11-40-102 (8), C.R.S., or a broker-dealer as defined in section 11-51-201 (2), C.R.S.;

(VIII) An attorney licensed to practice law in Colorado or his representative authorized in

writing to inspect such records on behalf of the attorney;

(IX) A manufacturer of any vehicle required to be registered pursuant to the provisions of article 3 of title 42, C.R.S., or a designated agent of such manufacturer. Such inspection shall be allowed only for the purpose of identifying, locating, and notifying the registered owners of such vehicles in the event of a product recall or product advisory and may also be allowed for statistical purposes where such address is not disclosed by such manufacturer or designated agent. No person who obtains the address of an individual pursuant to this subparagraph (IX) shall disclose such information, except as necessary to accomplish said purposes.

(d) Notwithstanding any provisions of this subsection (3.5) to the contrary, any person who appears in person in the office of any custodian of records described in paragraph (a) of this subsection (3.5) and who presents documentary evidence satisfactory to the custodian that such person is a duly accredited representative of the news media may verify the address of an individual whose address is otherwise protected from inspection in accordance with this subsection (3.5). Such verification shall be limited to the custodian confirming or denying that the address of an individual as known to the representative of the news media is the address of the individual as shown by the records of the custodian.

(e) No person shall make any false statement in requesting any information pursuant to paragraph (a) or (b) of this subsection (3.5).

(f) Any request of confidentiality made pursuant to this subsection (3.5) shall be kept confidential and shall not be open to inspection as a public record unless a written release is executed by the person who made the request.

(g) Prior to the release of any information required to be kept confidential pursuant to this subsection (3.5), the custodian shall require the person requesting the information to produce a valid Colorado driver's license or identification card and written authorization from any entity authorized to receive information under this subsection (3.5). The custodian shall keep a record of the requesting person's name, address, and date of birth and shall make such information available to the individual requesting confidentiality under this subsection (3.5) or any person authorized by such individual.

(4) If the custodian denies access to any public record, the applicant may request a written statement of the grounds for the denial, which statement shall cite the law or regulation under which access is denied and shall be furnished forthwith to the applicant.

(5) Except as provided in subsection (5.5) of this section, any person denied the right to inspect any record covered by this part 2 may apply to the district court of the district wherein the record is found for an order directing the custodian of such record to show cause why the custodian should not permit the inspection of such record; except that, at least three business days prior to filing an application with the district court, the person who has been denied the right to inspect the record shall file a written notice with the custodian who has denied the right to inspect the record informing said custodian that the person intends to file an application with the district court.

Hearing on such application shall be held at the earliest practical time. Unless the court finds that the denial of the right of inspection was proper, it shall order the custodian to permit such inspection and shall award court costs and reasonable attorney fees to the prevailing applicant in an amount to be determined by the court; except that no court costs and attorney fees shall be awarded to a person who has filed a lawsuit against a state public body or local public body and who applies to the court for an order pursuant to this subsection (5) for access to records of the state public body or local public body being sued if the court finds that the records being sought are related to the pending litigation and are discoverable pursuant to chapter 4 of the Colorado rules of civil procedure. In the event the court finds that the denial of the right of inspection was proper, the court shall award court costs and reasonable attorney fees to the custodian if the court finds that the action was frivolous, vexatious, or groundless.

(5.5) (a) Any person seeking access to the record of an executive session meeting of a state public body or a local public body recorded pursuant to section 24-6-402(2)(d.5) shall, upon application to the district court for the district wherein the records are found, show grounds sufficient to support a reasonable belief that the state public body or local public body engaged in substantial discussion of any matters not enumerated in section 24-6-402(3) or (4) or that the state public body or local public body adopted a proposed policy, position, resolution, rule, regulation, or formal action in the executive session in contravention of section 24-6-402(3) (a) or (4). If the applicant fails to show grounds sufficient to support such reasonable belief, the court shall deny the application and, if the court finds that the application was frivolous, vexatious, or groundless, the court shall award court costs and attorney fees to the prevailing party. If an applicant shows grounds sufficient to support such reasonable belief, the applicant cannot be found to have brought a frivolous, vexatious, or groundless action, regardless of the outcome of the in camera review.

(b) (I) Upon finding that sufficient grounds exist to support a reasonable belief that the state public body or local public body engaged in substantial discussion of any matters not enumerated in section 24-6-402 (3) or (4) or that the state public body or local public body adopted a proposed policy, position, resolution, rule, regulation, or formal action in the executive session in contravention of section 24-6-402 (3) (a) or (4), the court shall conduct an in camera review of the record of the executive session to determine whether the state public body or local public body engaged in substantial discussion of any matters not enumerated in section 24-6-402 (3) or (4) or adopted a proposed policy, position, resolution, rule, regulation, or formal action in the executive session in contravention of section 24-6-402 (3) (a) or (4).

(II) If the court determines, based on the in camera review, that violations of the open meeting law occurred, the portion of the record of the executive session that reflects that substantial discussion of proposed policy, position, resolution, rule, regulation, or formal action shall be open to public inspection.

(6) (a) If, in the opinion of the official custodian of any public record, disclosure of the contents of said record would do substantial injury to the public interest, notwithstanding the fact that said record might otherwise be available to public inspection or if the official custodian is unable, in good faith, after exercising reasonable diligence, and after reasonable inquiry, to determine if disclosure of the public record is prohibited pursuant to this part 2, the official



custodian may apply to the district court of the district in which such record is located for an order permitting him or her to restrict such disclosure of for the court to determine if disclosure is prohibited. Hearing on such application shall be held at the earliest practical time. In the case of a record that is otherwise available to public inspection pursuant to this part 2, after hearing, the court may upon a finding that disclosure would cause substantial injury to the public interest, issue an order authorizing the official custodian to restrict disclosure. In the case of a record that may be prohibited from disclosure pursuant to this part 2, after a hearing, the court may, upon a finding that disclosure of the record is prohibited, issue an order directing the official custodian not to disclose the record to the public. In an action brought pursuant to this paragraph (a), the burden of proof shall be upon the custodian. The person seeking permission to examine the record shall have notice of said hearing served upon him or her in the manner provided for service of process by the Colorado rules of civil procedure and shall have the right to appear and be heard. The attorney fees provision of subsection (5) of this section shall not apply in cases brought pursuant to this paragraph (a) by an official custodian who is unable to determine if disclosure of a public record is prohibited under this part 2 if the official custodian proves and the court finds that the custodian, in good faith, after exercising reasonable diligence, and after making reasonable inquiry, was unable to determine if disclosure of the public record was prohibited without a ruling by the court.

(b) In defense against an application for an order under subsection (5) of this section, the custodian may raise any issue that could have been raised by the custodian in an application under paragraph (a) of this subsection (6).

(7)(a) Except as permitted in paragraph (b) of this subsection (7), the department of revenue or an authorized agent of the department shall not allow inspection of information contained in a driver's license application under section 42-2-107, C.R.S., a driver's license renewal application under section 42-2-118, C.R.S., a duplicate driver's license application under section 42-2-117, C.R.S., a commercial driver's license application under section 42-2-403, C.R.S., an identification card application under section 42-2-302, C.R.S., a motor vehicle title application under section 42-6-116, C.R.S., a motor vehicle registration application under section 42-3-112, C.R.S., or other official record or document maintained by the department under section 42-2-121, C.R.S., to a requestor, other than the person in interest.

(b) Notwithstanding the provisions of paragraph (a) of this subsection (7), only upon obtaining a completed requestor release form under section 42-1-206 (1) (b), C.R.S., the department may allow inspection of the information referred to in paragraph (a) of this subsection (7) for the following uses:

(I) For use by any government agency, including any court or law enforcement agency, in carrying out its functions, or any private person or entity acting on behalf of a federal, state, or local agency in carrying out its functions;

(II) For use in connection with matters of motor vehicle or driver safety and theft; motor vehicle emissions; motor vehicle product alterations, recalls, or advisories, performance monitoring of motor vehicles, motor vehicle parts and dealers; motor vehicle market research activities, including survey research; and removal of non-owner records from the original owner records of motor vehicle manufacturers;



(III) For use in the normal course of business by a legitimate business or its agents, employees, or contractors, but only:

(A) To verify the accuracy of personal information submitted by the individual to the business or its agents, employees, or contractors; and

(B) If such information as so submitted is not correct or is no longer correct, to obtain the correct information, but only for the purpose of preventing fraud by, pursuing legal remedies against, or recovering on a debt or security interest against, the individual;

(IV) For use in connection with any civil, criminal, administrative, or arbitral proceeding in any federal, state, or local court or agency or before any self-regulatory body, including the service of process, investigation in anticipation of litigation, and the execution or enforcement of judgments and orders, or pursuant to an order of a federal, state, or local court;

(V) For use in research activities, and for use in production statistical reports, so long as the personal information is not published, redisclosed, or used to contact the parties in interest;

(VI) For use by any insured or insurance support organization, or by a self-insured entity, or its agents, employees, or contractors, in connection with claims investigation activities, antifraud activities, rating or underwriting;

(VII) For use in providing notice to the owners of towed or impounded vehicles;

(VIII) For use by any private investigative agency or security service for any purpose permitted under this paragraph (b);

(IX) For use by an employer or its agent or insurer to obtain or verify information relating to a party in interest who is holder of a commercial driver's license;

(X) For use in connection with the operation of private toll transportation facilities;

(XI) For any other use in response to requests for individual motor vehicle records if the department has obtained the express consent of the party in interest pursuant to section 42-2-121(4), C.R.S.

(XII) For bulk distribution for surveys, marketing or solicitations if the department has obtained the express consent of the party in interest pursuant to section 42-2-121(4), C.R.S.

(XIII) For use by any requestor, if the requestor demonstrates he or she has obtained the written consent of the party in interest; or

(XIV) For any other use specifically authorized under the laws of the state, if such use is related to the operation of motor vehicle or public safety.

(XV) For use by the federally designated organ procurement agency for the purposes of creating and maintaining the organ and tissue donor registry created in section 12-34-110, C.R.S.

(c) (I) For purposes of this paragraph (c), "Law" shall mean the federal "Driver's Privacy Protection Act of 1994", 18 U.S.C. sec. 2721, et seq., the federal "Fair Credit Reporting Act", 15 U.S.C. sec. 1681, et seq., section 42-1-206, C.R.S., and this part (2).

(II) If the requestor release form indicates that the requestor will, in any manner, use, obtain, resell, or transfer the information contained in records, requested individually, or in bulk, for any purpose other than a purpose prohibited by law, the department or agent shall deny inspection of any motor vehicle or driver record.

(III) In addition to completing the requestor release form under section 42-1-206 (1) (b), C.R.S., and subject to the provisions of section 42-1-206 (3.7), C.R.S., the requestor shall sign an affidavit of intended use under penalty of perjury that states that the requestor shall not obtain, resell, transfer, or use the information in any manner prohibited by law. The department or the department's authorized agent shall deny inspection of any motor vehicle or driver record to any person, other than a person in interest as defined in section 24-72-202 (4), or a federal, state, or local government agency carrying out its official functions, who has not signed and returned the affidavit of intended use.

**24-72-204.5. Adoption of electronic mail policy.** (1) On or before July 1, 1997, the state or any agency, institution, or political subdivision thereof that operates or maintains an electronic mail communications system shall adopt a written policy on any monitoring of electronic mail communications and the circumstances under which it will be conducted.

(2) The policy shall include a statement that correspondence of the employee in the form of electronic mail may be a public record under the public records law and may be subject to public inspection under section 24-72-203.

**24-72-205. Copies, printouts, or photographs of public records.** (1) In all cases in which a person has the right to inspect any public record, he may request that he be furnished copies, printouts, or photographs of such record. The custodian may furnish such copies, printouts, or photographs for a reasonable fee, to be set by the official custodian, not to exceed one dollar and twenty-five cents per page unless actual costs exceed that amount; except that, when the custodian is the secretary of state, fees shall be determined and collected pursuant to section 24-21-104 (3). Where fees for certified copies or other copies, printouts, or photographs of such record are specifically prescribed by law, such specific fees shall apply.

(2) If the custodian does not have facilities for making copies, printouts, or photographs of records which the applicant has the right to inspect, the applicant shall be granted access to the records for the purpose of making copies, printouts, or photographs. The copies, printouts, or photographs shall be made while the records are in the possession, custody, and control of the custodian thereof and shall be subject to the supervision of such custodian. When practical, they shall be made in the place where the records are kept, but, if it is impractical to do so, the custodian may allow arrangements to be made for this purpose. If other facilities are necessary, the cost of providing them shall be paid by the person desiring a copy, printout, or photograph of the records. The official custodian may establish a reasonable schedule of times for making copies, printouts, or photographs and may charge the same fee for the services rendered by him or his deputy in supervising the copying, printing out, or photographing as he may charge for furnishing copies under

subsection (1) of this section.

(3) If, in response to a specific request, the state or any of its agencies, institutions, or political subdivisions has performed a manipulation of data so as to generate a record in a form not used by the state or by said agency, institution, or political subdivision, a reasonable fee may be charged to the person making the request. Such fee shall not exceed the actual cost of manipulating the said data and generating the said record in accordance with the request. Persons making subsequent requests for the same or similar records may be charged a fee not in excess of the original fee.

(4) If the public record is a result of computer output other than word processing, the fee for a copy, printout, or photograph thereof may be based on recovery of the actual incremental costs of providing the electronic services and products together with a reasonable portion of the costs associated with building and maintaining the information system. Such fee may be reduced or waived by the custodian if the electronic services and products are to be used for a public purpose, including public agency program support, nonprofit activities, journalism, and academic research. Fee reductions and waivers shall be uniformly applied among persons who are similarly situated.

**24-72-206. Violation - penalty.** Any person who willfully and knowingly violates the provisions of this part 2 is guilty of a misdemeanor and, upon conviction thereof, shall be punished by a fine of not more than one hundred dollars, or by imprisonment in the county jail for not more than ninety days, or by both such fine and imprisonment.



## ARTICLE 75 State Funds

### PART 6 FUNDS - LEGAL INVESTMENTS

**24-75-601. Definitions.** As used in this part 6, unless the context otherwise requires: (1) "Public entity" means the state of Colorado; any institution, agency, instrumentality, authority, county, municipality, city and county, district, or other political subdivision of the state, including any school district and institution of higher education; any institution, department, agency, instrumentality, or authority of any of the foregoing, including any county or municipal housing authority; any local government investment pool organized pursuant to part 7 of this article; any public entity insurance pool organized pursuant to state law; and any other entity, organization, or corporation formed by intergovernmental agreement or other contract between or among any of the foregoing.

(2) "Public funds" means any funds in the custody, possession, or control of a public entity; any funds over which a public entity has investment control; any funds over which a public entity would have investment control but for the entity's delegation of that control to another person; and any funds over which another person exercises investment control on behalf of or for the benefit of a public entity. "Public funds" includes, but is not limited to, proceeds of the sale of securities of a public entity and proceeds of certificates of participation or other securities evidencing rights in payments to be made by a public entity under a lease, lease-purchase agreement, or other similar arrangement, regardless of whether such proceeds are held by the public entity, a third-party trustee, or any other person. "Public funds" shall not include funds invested by the public employees' retirement association created in article 51 of this title or any other funds invested for employee retirement or pensions. "Public funds" shall also not include trusts managed on behalf of the board of education of a school district coterminous with a city and county for the benefit of a retiree's health insurance and teacher compensation.

(2.5) (Deleted by amendment, L. 2006, p. 551, § 2, effective August 7, 2006.)

(3) "Security" means any bill, note, bond, bankers' acceptance, commercial paper, repurchase agreement, reverse repurchase agreement, securities lending agreement, guaranteed investment contract, guaranteed interest contract, annuity contract, funding agreement, certificate of indebtedness or other evidence of indebtedness, or interest in any of the foregoing. No foregoing instrument shall be convertible to equity or represent any equity interest. All foregoing instruments shall be denominated in the currency of the United States.

**24-75-601.1. Legal investments of public funds.** (1) It is lawful to invest public funds in any of the following securities:

(a) Any security issued by, fully guaranteed by, or for which the full credit of the United States treasury is pledged for payment and, notwithstanding paragraph (a) of subsection (1.3) of this section, inflation indexed securities issued by the United States treasury. The period from the date of settlement of this type of security to its maturity date shall be no more than five years unless the governing body of the public entity authorizes investment for a period in excess of five years.

(b) (1) Any security issued by, fully guaranteed by, or for which the full credit of the following is pledged for payment: The federal farm credit bank, the federal land bank, a federal home loan



bank, the federal home loan mortgage corporation, the federal national mortgage association, the export-import bank, the Tennessee valley authority, the government national mortgage association, the world bank, or an entity or organization that is not listed in this paragraph (b) but that is created by, or the creation of which is authorized by, legislation enacted by the United States congress and that is subject to control by the federal government that is at least as extensive as that which governs an entity or organization listed in this paragraph (b). The period from the date of settlement of this type of security to its maturity date shall be no more than five years unless the governing body of the public entity authorizes investment for a period in excess of five years.

(II) No security may be purchased pursuant to this paragraph (b) unless, at the time of purchase, the security is rated in its highest rating category by two or more nationally recognized organizations that regularly rate such obligations and no such organizations rate the security lower than its highest rating category. Should the security issued as described in subparagraph (I) of this paragraph (b) fail to meet the minimum credit risk requirements, the security may be considered for purchase to the extent it conforms with the requirements of paragraph (m) of this subsection (1).

(c) (Deleted by amendment, L. 2006, p. 552, § 3, effective August 7, 2006.)

(d) (I) Any security that is a general obligation of any state of the United States, the District of Columbia, or any territorial possession of the United States or of any political subdivision, institution, department, agency, instrumentality, or authority of any of such governmental entities.

(II) No security may be purchased pursuant to this paragraph (d) unless:

(A) At the time of purchase, the security is rated in one of its two highest rating categories by two or more nationally recognized organizations that regularly rate such obligations.

(B) (Deleted by amendment, L. 2006, p. 552, § 3, effective August 7, 2006.)

(C) The period from the date of settlement of this type of security to its maturity date shall be no more than three years unless the governing body of the public entity authorizes investment for a period in excess of three years.

(e) (I) Any security that is a revenue obligation of any state of the United States, the District of Columbia, or any territorial possession of the United States or of any political subdivision, institution, department, agency, instrumentality, or authority of any of such governmental entities.

(II) No security may be purchased pursuant to this paragraph (e) unless, at the time of purchase, the security is rated in its highest rating category by two or more nationally recognized organizations that regularly rate such obligations.

(III) The period from the date of settlement of this type of security to its maturity date shall be no more than three years. (f) and (g) (Deleted by amendment, L. 2006, p. 552, § 3, effective August 7, 2006.) (h) Any security of the investing public entity or any certificate of participation or other security evidencing rights in payments to be made by the investing public entity under a lease, lease-purchase agreement, or similar arrangement; (i) Any interest in any local government investment pool organized pursuant to part 7 of this article; (j) The purchase of any repurchase agreement concerning any securities referred to in paragraph (a) or (b) of this subsection (1) that

can otherwise be purchased under this section if all of the conditions of subparagraphs (I) to (VI) of this paragraph (j) are met:

(I) The securities subject to the repurchase agreement must be marketable.

(II) The title to or a perfected security interest in such securities along with any necessary transfer documents must be transferred to the investing public entity or to a custodian acting on behalf of the investing public entity.

(III) Such securities must be actually delivered versus payment to the public entity's custodian or to a third-party custodian or third-party trustee for safekeeping on behalf of the public entity.

(IV) The collateral securities of the repurchase agreement must be collateralized at no less than one hundred two percent and marked to market no less frequently than weekly.

(V) The securities subject to the repurchase agreement may have a maturity in excess of five years.

(VI) The period from the date of settlement of a repurchase agreement to its maturity date shall be no more than five years unless the governing body of the public entity authorizes investment for a period in excess of five years.

(j.5) Any reverse repurchase agreement concerning any securities referred to in paragraph (a) or (b) of this subsection (1) that can otherwise be purchased under this section if all of the conditions of subparagraphs (I) to (VII) of this paragraph (j.5) are met:

(I) Any necessary transfer documents must be transferred to the investing public entity.

(II) Cash must be received by the investing public entity or a custodian acting on behalf of the investing public entity in a deliver versus payment settlement.

(III) The cash received from a reverse repurchase agreement must be collateralized at no more than one hundred and five percent and marked to market no less frequently than weekly.

(IV) The repurchase agreement is not greater than ninety days in maturity from the date of settlement unless the governing body of the public entity authorizes investment for a period in excess of ninety days.

(V) The counter-party meets the credit conditions of an issuer that would qualify under paragraph (m) of this subsection (1).

(VI) The value of all securities reversed under this paragraph (j.5) does not exceed eighty percent of the total deposits and investments of the public entity.

(VII) No securities are purchased with the proceeds of the reverse repurchase agreement that are greater in maturity than the term of the reverse repurchase agreement.

(j.7) A securities lending agreement in which the public entity lends securities in exchange for securities authorized for investment in this section, if all of the following conditions are met:

(I) Any necessary transfer documents must be transferred to the investing public entity.

(II) Securities must be received by the investing public entity or a custodian acting on behalf of the investing public entity in a simultaneous settlement.

(III) The securities received in the securities lending agreement must be no less than one hundred two percent of the value of the securities lent and marked to market no less frequently than weekly.

(IV) The counter-party meets the conditions of an issuer specified in paragraph (m) of this subsection (1).

(V) In the case of a local government, the securities lending agreement shall be approved and designated by written resolution adopted by a majority vote of the governing body of the local government, which resolutions shall be recorded in its minutes.

(k) Any money market fund that is registered as an investment company under the federal "Investment Company Act of 1940", as amended, if, at the time the investing public entity invests in such fund:

(I) The investment policies of the fund include seeking to maintain a constant share price;

(II) No sales or load fee is added to the purchase price or deducted from the redemption price of the investments in the fund and no fee may be charged unless the governing body of the public entity authorizes such a fee at the time of the initial purchase;

(III) The investments of the fund consist only of securities with a maximum remaining maturity as specified in rule 2a-7 under the federal "Investment Company Act of 1940", as amended, or any successor regulation under such act regulating money market funds, so long as such rule 2a-7 is not amended to, or such successor regulation does not, increase the maximum remaining maturity of such securities to a period that is greater than three years, and if the fund has assets of one billion dollars or more, or has the highest current credit rating from one or more nationally recognized organizations that regularly rate such obligations.

(IV) The dollar-weighted average portfolio maturity of the fund meets the requirements specified in rule 2a-7 under the federal "Investment Company Act of 1940", as amended, or any successor regulation under such act regulating money market funds, so long as such rule 2a-7 is not amended to increase the dollar-weighted average portfolio maturity of a fund to a period greater than one hundred eighty days.

(l) (I) Any guaranteed investment contract, guaranteed interest contract, annuity contract, or funding agreement if, at the time the contract or agreement is entered into, the long-term credit rating, financial obligations rating, claims paying ability rating, or financial strength rating of the party, or of the guarantor of the party, with whom the public entity enters the contract or agreement is, at the time of issuance, rated in one of the two highest rating categories by two or more nationally recognized securities rating agencies that regularly issue such ratings.

(II) (Deleted by amendment, L. 2004, p. 950, 7, effective May 21, 2004.)



(III) (A) Except as provided in sub-subparagraph (B) of this subparagraph (III), the contracts or agreements purchased under this paragraph (I) shall not have a maturity period greater than three years.

(B) Contracts or agreements with a maturity period greater than three years shall only be purchased with proceeds of the sale of securities of a public entity and proceeds of certificates of participation or other securities evidencing rights in payments to be made by a public entity under a lease, lease-purchase agreement, or other similar arrangement or if purchased by revenues pledged to the payment of such securities or certificates; except that no contract or agreement may be purchased pursuant to this paragraph (I) with the proceeds of any of the foregoing that are held in an escrow or otherwise for the purpose of refunding bonds or other obligations of a public entity.

(m) (I) Any corporate or bank security issued by a corporation or bank that is organized and operated within the United States must mature within three years from the date of settlement and, at the time of purchase, must carry at least two credit ratings from any of the nationally recognized credit rating agencies and must not be rated below "AA- or Aa3" by any credit rating agency. If the security is a money market instrument such as commercial paper or bankers' acceptance, then the security must carry at least two credit ratings from any of the nationally recognized credit rating agencies and must not be rated below "A1, P1, or F1" by any credit rating agency.

(II) At no time shall the book value of a public entity's investment in notes evidencing a debt pursuant to this paragraph (m) exceed the following:

(A) Fifty percent of the book value of the public entity's investment portfolio unless the governing body of the public entity authorizes a greater percent of such book value; or

(B) Five percent of the book value of the public entity's investment portfolio if the notes are issued by a single corporation or bank unless the governing body of the public entity authorizes a greater percent of such book value.

(n) (Deleted by amendment, L. 2006, p. 552, § 3, effective August 7, 2006.)

(1.3) (a) Except as provided in paragraph (a) of subsection (1) of this section and except as provided in paragraph (b) of this subsection (1.3), public funds shall not be invested in any security on which the coupon rate is not fixed, or a schedule of specific fixed coupon rates is not established, from the time the security is settled until its maturity date, other than shares in qualified money market mutual funds, unless the coupon rate is:

(I) Established by reference to the rate on a United States treasury security with a maturity of one year or less or to the United States dollar London interbank offer rate of one year or less maturity, or to the cost of funds index or the prime rate as published by the federal reserve; and

(II) Expressed as a positive value of the referenced index plus or minus a fixed number of basis points.

(b) A municipal index may be used for the investment of bond or note accounts from issues with coupons linked to the same index.



(c) For purposes of this section, "maturity date" means the last possible date, barring default, that principal can be repaid to the purchaser.

(1.5) Any firm that sells any financial instrument that fails to comply with the provisions of this section to any public entity in the state of Colorado shall, upon demand of the public entity through the state treasurer, repurchase such instruments for the greater of the original purchase principal amount or the original face value, plus any and all accrued interest, within one business day of the demand.

(2) Investments made pursuant to this section shall be made in conformance with the standard set forth in section 15-1-304, C.R.S.

(2.3) Public entities shall adopt criteria designating eligible broker-dealers for the purchase of term securities, except for bond proceed investments, under this section.

(2.5) (a) If a public entity invests public moneys through an investment firm offering for sale corporate stocks, bonds, notes, debentures, or a mutual fund that contains corporate securities, the investment firm shall disclose, in any research or other disclosure documents provided in support of the securities being offered, to the public entity whether the investment firm has an agreement with a for-profit corporation that is not a government-sponsored enterprise, whose securities are being offered for sale to the public entity and because of such agreement the investment firm:

(I) Had received compensation for investment banking services within the most recent twelve months; or

(II) May receive compensation for investment banking services within the next three consecutive months.

(b) For the purposes of this subsection (2.5), "investment firm" means a bank, brokerage firm, or other financial services firm conducting business within this state, or any agent thereof.

(3) Nothing in this section is intended to limit:

(a) The power of any public entity to invest any public funds in any security or other investment permitted to such public entities under any other valid law of the state; or

(b) The power of any home rule city, city and county, town, or county to invest any public funds in any security or other investment permitted under the charter or ordinance of such home rule city, city and county, town, or county; or

(c) The authority of the state board of regents to invest any funds available to the board in any security or other investment otherwise provided by law.

(3.5) (Deleted by amendment, L. 2006, p. 552, § 3, effective August 7, 2006.)

(4) Nothing in this section is intended to apply to public funds held or invested as part of any pension plan, full or supplemental retirement plan, or deferred compensation plan.

**24-75-601.2. Prior investments valid.** Nothing in this article shall be construed so as to invalidate any legal investment made prior to July 1, 1989. Such investments shall continue to be authorized through their dates of maturity.

**24-75-601.3. Remedial actions - investments not made in conformance with statute.** The audit of the financial statements of public entities required by part 6 of article 1 of title 29, C.R.S., shall, in addition to all other requirements, include a supplemental listing of all investments held by the public entity at the date of the financial statement. The public entity shall divest itself of any investment which is not included as a lawful investment in section 24-75-601.1 or other statutory authority within six months of the initial disclosure of the existence of such investment.

**24-75-601.4. Liability of officials of public entities.** Elected or appointed officials or employees of public entities who, in the good faith performance of their duties as public officials, comply with the standards established in this part 6 for the investment of public funds in securities shall not be liable for any loss of public funds resulting from such investment.

**24-75-601.5. Liability for sale of unlawful investments to public entities.** (1) Any person who sells or causes to be sold to a public entity any investment which is not a lawful investment for such public entity pursuant to section 24-75-601.1 or other authority, and who knew or should have known that said investment was not a lawful investment, shall be liable to such public entity for any loss of investment principal resulting from such investment and, in addition, shall be liable for any reasonably foreseeable costs resulting from such loss, including but not limited to:

(a) Attorney fees; and (b) Interest on the principal which would have resulted from the investment of said principal on the day the unlawful investment was made in one-year United States treasury bills at the market yield on such bills on such day.

**24-75-602. Bonds of housing authority as legal investments.** Notwithstanding any restrictions on investments contained in any laws of this state, all banks, bankers, trust companies, savings banks and institutions, savings and loan associations, investment companies, and other persons carrying on a banking business and all insurance companies, insurance associations, and other persons carrying on an insurance business may legally invest any sinking funds, moneys, or other funds belonging to them or within their control in any bonds or other obligations issued by a housing authority pursuant to the "Housing Authorities Law", part 2 of article 4 of title 29, C.R.S., or issued by any public housing authority or agency in the United States when such bonds or other obligations are secured by a pledge of annual contributions to be paid by the United States government or any agency thereof, and such bonds and other obligations shall be authorized security for all public deposits. It is the purpose of this section to authorize any persons, firms, corporations, and associations, public or private, to use any funds owned or controlled by them, including, but not limited to, sinking, insurance, investment, retirement, compensation, pension, and trust funds, and funds held on deposit, for the purchase of any such bonds or other obligations. Public entities, as defined in section 24-75-601 (1), may invest public funds in such bonds or other obligations only if said bonds or other obligations satisfy the investment requirements established in this part 6. Nothing contained in this section shall be construed as relieving any person, firm, or corporation from any duty of exercising reasonable care in selecting securities.

**24-75-603. Depositories** (1) It is lawful for the state of Colorado and any of its institutions and agencies, counties, municipalities, and districts, and any other political subdivision of the state, and any department, agency, or instrumentality thereof, or any political or public corporation of the

state, whenever any of the foregoing have funds, and for any bank, savings and loan association, industrial bank, credit union, fraternal benefit society, trust deposit and security company, trust company, or any other financial institution operating under the laws of this state having funds in their possession or custody, respectively, to deposit, or cause to be deposited either by or through the treasurer or such other custodian of funds as may be appointed, such funds so eligible for investment in any state bank, national bank, or state or federal savings and loan association in Colorado that is, at the time the deposit is made, a member of the federal deposit insurance corporation or its successor to the extent that the deposit is insured by the federal deposit insurance corporation or its successor or is secured by pledge of eligible collateral as required by statute.

(2) Notwithstanding any provisions of law of this state or any rule or requirement of any political subdivision thereof requiring security for deposits in the form of collateral, surety bond, or any other form, such security for deposits of public funds shall not be required to the extent said deposits are insured by the federal deposit insurance corporation or its successor.

(3) Repealed.

(4) In lieu of or in addition to other statutory authorization for the investment of public funds, any public funds that are not needed for current operating expenses may be invested in accordance with the following conditions:

(a) The public funds shall initially be placed by the public entity in a bank or savings and loan association located in this state that is an eligible public depository certified by the state banking board or the state financial services board that offers federal deposit insurance corporation insurance on its deposits;

(b) The selected eligible public depository simultaneously shall arrange for the deposit of any public funds in excess of one hundred thousand dollars in certificates of deposit of one hundred thousand dollars or less in one or more other banks or savings and loan associations wherever located in the United States, for the account of the public entity;

(c) At the same time the public funds are deposited and the certificates of deposit are issued for the benefit of the public entity, the eligible public depository shall receive an amount of deposits from customers of other banks or savings and loan associations equal to the amount of the public funds initially placed by the public entity;

(d) Each such certificate of deposit shall be insured by the federal deposit insurance corporation;

(e) The selected eligible public depository shall act as custodian for the public entity with respect to the certificates of deposit issued for the public entity's account;

(f) Public funds invested in accordance with paragraphs (a) to (e) of this subsection (4) are not subject to the collateralization, requirements, or restrictions of article 10.5 of title 11, C.R.S., except for certification as an eligible public depository as provided in paragraph (a) of this subsection (4); and

(g) Banks and savings and loan associations that accept public funds for the purposes of investing them in accordance with paragraphs (a) to (e) of this subsection (4) are not subject to the



additional requirements or restrictions of article 10.5 of title 11, C.R.S., except for certification as an eligible public depository as provided in paragraph (a) of this subsection (4)

**24-75-604. Investments in bonds issued by member institutions of the farm credit system.**

All savings banks, insurance companies, assurance, casualty, fidelity, and guaranty companies, and savings and loan associations which are permitted or directed by the laws of the state of Colorado to invest any of their moneys or deposits in securities may invest such moneys or deposits in bonds issued by any federal land bank or joint-stock land bank organized pursuant to an act of congress known as the "Farm Credit Act of 1971", and acts amendatory thereto. Such bonds shall be accepted as security for all public deposits and in all cases where bonds are required by law to be deposited with any department or public official of the state of Colorado; but this section shall not be so construed as to prohibit such moneys or deposits from being invested in such other securities as are provided for by law.

**24-75-605. Legal investments - cities of twenty-five thousand or more population - limitation in class of investments.**(1) Whenever cities having a population of twenty-five thousand or more, as determined by the last preceding federal decennial census, have moneys in policemen's or firefighters' pension funds, or other special funds of said cities, including pension, endowment, and trust funds, whether or not administered by a board or similar authority, it is lawful to invest or reinvest these moneys as set forth in this section if the authorization to invest moneys as provided in this section does not affect the administration of or control over the various funds, to wit:

(a) Class 1. Bonds or warrants of the United States, the state of Colorado, or in the bonds of any other state of the United States;

(b) Class 2. General obligation bonds of any city, town, or school district of the state of Colorado, the valuation for assessment of which city, town, or school district in the year next preceding the year in which such bonds may be purchased equals or exceeds two million dollars;

(c) Class 3. Obligations secured by first liens on real estate or by pledge of specific income or revenue and issued, insured, or guaranteed by any agency or instrumentality of the United States or the state of Colorado;

(d) Class 4. Notes, bonds, or debentures which are direct obligations of United States corporations engaged in the production, transportation, distribution, or sale of electricity or gas, or the operation of telephone or telegraph systems or water works, or any combination of them, which, at the time of purchase, are designated as investment grade securities by any two nationally recognized investment services as may, from time to time, be designated by the city council;

(e) Class 5. In share certificates for savings accounts in any state or federally chartered savings and loan association in Colorado if said association is a member of the federal deposit insurance corporation or its successor and further if the full amount of each account is insured by the federal deposit insurance corporation or its successor; and in any time certificate of deposit or savings account in any state or national bank in Colorado, which certificates of deposit or savings accounts are fully insured by the federal deposit insurance corporations or its successor;



(f) Class 6. In stocks, preferred or common, or bonds of corporations, created or existing under the laws of the United States, or any state, district, or territory thereof, which, at the time of purchase, are listed on a national stock exchange in the United States.

(2) Investments under this section shall be limited in their acquisition and retention in the above classes of securities so that the aggregate of all investments in each separate fund at any time shall be as follows:

(a) Classes 1, 2, and 3, or any combination thereof, up to any amount but not less than seventy percent; (b) Class 4. In any amount not to exceed thirty percent; (c) Class 5. In any amount that is fully insured by the federal deposit insurance corporation or its successor.

(3) The legal investments in this section authorized for cities having a population of twenty-five thousand or more shall be in addition to those investments otherwise by law authorized for said cities.

(4) Notwithstanding the provisions of subsection (2) of this section, investments of firefighters' pension funds shall be limited in their acquisition and retention in the classes of securities set forth in subsection (1) of this section so that the aggregate of all investments in each separate fund at any time shall be as follows:

(a) Classes 1, 2, and 3, or any combination thereof, up to any amount but not less than fifty percent; (b) Class 4. In any amount not to exceed fifty percent, but not more than fifty percent of such class 4 aggregate may be invested in class 4 notes, bonds, or debentures which are convertible into shares of common stock or in common stocks of such class 4; (c) Class 6. In any amount not to exceed fifty percent; (d) As a further limitation thereon, in any amount not to exceed seven percent or one hundred thousand dollars, whichever is the greater, of any one issue valued at the time of purchase; (e) In no event shall any investment be made in the common or preferred stock, or both, of any single corporation in an amount in excess of five percent of the then book value of the assets of the retirement fund.history.

## **PART 7**

### **INVESTMENT FUNDS - LOCAL GOVERNMENT POOLING**

**24-75-701. Definitions.** As used in this part 7, unless the context otherwise requires:

(1) "Administrator" means the administrator of a local government investment pool trust fund created pursuant to section 24-75-703.

(2) "Board" or "board of trustees" means the board of trustees composed of members that are selected from among the treasurers or other local officials empowered to invest the funds of local governments pursuant to section 24-75-703 (2), and any other independent and unaffiliated trustees named by such members.

(3) "Custodian" means a designee located in the state of Colorado, with authority, including control, over public funds of a local government investment pool trust fund. For purposes of this

subsection (3), "control" includes possession of public funds of a local government investment pool trust fund, as well as the authority to establish accounts for such public funds in banks and to make deposits, withdrawals, or disbursements of such public funds. If the exercise of authority over such public funds requires action by or the consent of two or more putative custodians, then such custodians shall be treated as one custodian with respect to such public funds.

(4) "Financial institution" means an institution, with its primary place of business in this state and authorized by its charter to exercise fiduciary powers, that is a state bank, an industrial bank, a savings and loan association, or a trust company chartered by this state, a national bank organized or chartered under 12 U.S.C. sec. 2, or a federal savings and loan association organized or chartered under 12 U.S.C. sec. 12.

(5) (a) "Investment adviser" means, except as provided in paragraph (b) of this subsection (5), any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities or who, for compensation and as part of a regular business, issues or promulgates analyses or reports concerning securities. "Investment adviser" also includes financial planners and other persons who, as an integral component of other financially related services, provide such investment advisory services to a local government investment pool trust fund for compensation or who hold themselves out as providing investment advisory services to a local government investment pool trust fund for compensation.

(b) "Investment adviser" does not include:

(I) A publisher of any bona fide newspaper, magazine, or business or financial publication with a regular and paid circulation; a publisher of any securities advisory newsletter with a regular and paid circulation which does not provide advice to subscribers on their specific investment situations; or any author of material included in any such newspaper, magazine, publication, or newsletter who does not otherwise come within the definition of an "investment adviser" or "investment adviser representative";

(II) An investment adviser representative;

(III) A broker-dealer or sales representative for a broker-dealer licensed by the securities commissioner whose performance of investment advisory services is solely incidental to the conduct of its business as a broker-dealer and who receives no special compensation for such services;

(IV) A financial institution or any person employed by or directly associated with a financial institution;

(V) A lawyer, certified public accountant, professional engineer, professional geologist, or teacher, if such person:

(A) Does not take possession of the funds or securities of a local government investment pool trust fund in connection with providing investment advisory services; and

(B) Does not receive commissions or other compensation, directly or indirectly, from the

sale of any security to any local government investment pool trust fund to whom such person provides advice about the value or advisability of investing in such security; and

(C) Does not engage in the business of advising a local government investment pool trust fund as to the value of securities or as to the advisability of investing in, purchasing, or selling securities and provides such advice, if at all, in a manner solely incidental to the practice of the person's profession;

(VI) Any official, employee, or representative of the United States, any state, any political subdivision of a state, or any agency or body corporate or other instrumentality thereof, acting in such person's official capacity on behalf of such entity;

(VII) Any other person or class of persons the securities commissioner designates by rule or order.

(6) "Investment adviser representative" means any individual who is a partner, officer, or director of an investment adviser, who occupies a similar status with or performs similar functions for an investment adviser, or who is employed or otherwise associated with an investment adviser, except clerical or ministerial personnel, and who:

- (a) Makes any recommendations or otherwise renders advice regarding securities;
- (b) Manages accounts or portfolios of clients of the investment adviser;
- (c) Determines which recommendation or advice regarding securities should be given;
- (d) Solicits, offers, negotiates for the sale of, or sells, investment advisory services; or
- (e) Supervises employees who perform any of the duties specified in this subsection (6).

(7) "Investment advisory services" means those activities performed by a person in connection with such person's engaging in any of the activities described in paragraph (a) of subsection (5) of this section.

(8) "Local government" means any county, city and county, town, school district, special district, or other political subdivision of the state, or any department, agency, or instrumentality thereof, or any political or public corporation of the state.

(9) "Local government investment pool trust fund" means the trust fund created pursuant to section 24-75-703, that is comprised of moneys deposited by participating local governments in such trust fund and held by a custodian.

(10) "Participating local government" means a local government that participates in a local government investment pool trust fund.

(11) "Securities commissioner" means the commissioner of securities created by section 11-51-701, C.R.S.

(12) "Trust fund" means a local government investment pool trust fund.

**24-75-702. Local governments - authority to pool surplus funds.** (1) In accordance with the provisions of this part 7, it is lawful for any local government to pool any moneys in its treasury, which are not immediately required to be disbursed, with the same such moneys in the treasury of any other local government and to deposit such moneys in a local government investment pool trust fund in order to take advantage of short-term investments and maximize net interest earnings.

(2) Any trust fund formed pursuant to this part 7 shall be subject to part 4 of article 6 and part 2 of article 72 of this title and shall be considered a local public body for purposes of those provisions.

**24-75-703. Local government investment pooling - trust method - resolution filing requirements.** (1) The governing body of each local government that desires to participate in a local government investment pool trust fund shall cooperate in drafting a uniform resolution to be adopted by a majority vote of the governing body of each participating local government. The resolution shall provide for, but need not be limited to, the following:

(a) Establishment of a local government investment pool trust fund;

(b) A statement of the purposes and objectives of the trust fund, including, but not limited to:

(I) The investment objectives of the trust fund;

(II) A description of eligible trust fund investments;

(III) Credit standards for trust fund investments;

(IV) Allowable maturity ranges for trust fund investments;

(V) The portfolio concentrations permitted for each type of security owned by the trust fund;  
and

(VI) Supervision of the trust fund by a board of trustees composed of members that are selected from among the treasurers or other local officials empowered to invest local funds of the participating local governments and such other independent and unaffiliated trustees named by such members and, a description of the powers and duties of the board of trustees;

(c) Appointment of an administrator with its primary place of business in this state for the trust fund by the board of trustees, the manner of such administrator's appointment, and the duties of such administrator;

(d) Appointment of a custodian of the trust fund by the board of trustees and a statement of the powers and duties of the custodian and the custodial arrangements, including, but not limited to:

(I) The safekeeping practices utilized for the trust fund;



(II) Maximum and minimum account sizes;

(III) Maximum and minimum transaction sizes for deposits to and withdrawals from such accounts;

(IV) Instructions for establishing accounts and making deposits to and withdrawals from such accounts; and

(V) The requirement that the primary records of the trust fund be maintained in this state.

(e) Appointment by the board of trustees of an investment adviser with its principal place of business in this state registered with the securities and exchange commission under the federal "Investment Advisers Act of 1940", or licensed as an investment adviser by the securities commissioner, or either a licensed broker-dealer with its primary place of business in this state or a financial institution to act in an advisory capacity, and a description of the duties and obligations of such adviser, advisory broker-dealer, or financial institution;

(f) The repayment from the earnings of the trust fund of costs incurred in the establishment of the trust fund;

(g) Payment of the expenses of administration from the income received from the earnings of the trust fund;

(h) Limitations, if any, on the aggregate amount of moneys which any participating local government may have on deposit in the trust fund at one time;

(i) Limitations, if any, on the period of time that the funds of any participating local government may be held in trust;

(j) Penalties upon participating local governments for early withdrawal of funds and procedures for resolving other contingencies which may jeopardize the earning potential of the trust fund; except that, any such penalty shall be payable only from earnings on the funds of the participating local government and the amount deposited by each participating local government in the trust fund;

(k) Distribution of the income from earnings of the trust fund to participating local governments on a pro rata basis;

(l) Maintenance of separate accounts for each participating local government; however, individual transactions and totals of all investments, or the share belonging to each participating local government, shall be recorded in the accounts;

(m) Annual audits of trust fund management pursuant to section 11-51-906 (4), C.R.S.;

(n) Quarterly reports to each participating local government which show the investments and the earnings thereon pursuant to section 11-51-906 (2), C.R.S.;

(o) Disclosure of administrative and associated costs incurred by the trust fund;

(p) Purchase of surety or other bonds necessary to protect the trust fund;

(q) That neither the trust fund's administrator, investment adviser, or investment adviser representative may act as a principal in the purchase of securities from or the sale of securities to the trust fund; and

(r) The method of voting of the trust membership and whether the voting shall be by each participating local government or by number of shares held by any participating local government.

(2) The securities commissioner may, by rule or order and subject to such terms and conditions as prescribed therein, waive any of the requirements set forth in subsection (1) of this section if the securities commissioner finds that the applicability of such requirements is not necessary in the public interest and for the protection of participating local governments.

(3) By separate resolution similarly adopted, the governing body of each participating local government shall authorize investment of any moneys in its treasury, which are not immediately required to be disbursed, in a local government investment pool trust fund established pursuant to this section. The resolution shall name the local government official, who may be the treasurer or other official empowered to invest local funds, responsible for deposit and withdrawal of such funds. In making such deposits and withdrawals, such official shall use prudence and care to preserve the principal and to secure the maximum rate of interest consistent with safety and liquidity. The resolution shall be filed with the board of trustees of the trust fund.

(4) Any local government which invests in a local government investment pool trust fund shall make available for public inspection the name, address, and telephone number of any such trust fund in which the local government has deposited funds, as well as the most recent information statement or prospectus provided by such trust fund describing the funds, investments, and performance, including net rate of return earned for the most recent year or quarter after deduction of administrative expenses.

**24-75-704. Investments - limitations.** (1) The investments made with local government investment pool trust fund moneys shall be limited to those instruments which all participating local governments may individually invest in by law. The trust fund shall not be used to circumvent such statutory limitations on the investment authority of participating local government entities.

(2) In order to assure compliance with subsection (1) of this section, the securities commissioner may, by rule or order, require trust funds to be in substantial compliance with the rules and regulations regarding money market funds promulgated by the securities and exchange commission under section 270 of the federal "Investment Company Act of 1940". The securities commissioner may, by rule or order, waive or modify such rules or orders if the securities commissioner finds that their application in a particular instance is not necessary in the public interest.

**24-75-705. Board of trustees - duties - liabilities.** (1) The board of trustees of any local government investment pool trust fund moneys authorized by this section shall invest in compliance

with the requirements of this section and with that degree of judgment and care, under the circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital and need for liquidity as well as the probable income to be derived.

(2) The board shall exercise the functions over which such board has substantial discretion solely in the interest of the participating local governments and for the exclusive purpose of providing earnings and defraying expenses incurred in administering the trust fund. The board shall act in accordance with the provisions of this part 7 and with the care, skill, and due diligence in light of the circumstances then prevailing that a person in like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims.

(3) It is unlawful for a member of the board to engage in any activities which might result in a conflict of interest with such member's functions as a fiduciary of the trust fund.

**24-75-706. Custodian - location - unlawful activities.** (1) It is unlawful for any custodian of a local government investment pool trust fund to:

(a) Maintain the primary records of the assets of the trust fund anywhere but within the state of Colorado;

(b) Act as a trustee, administrator, or investment adviser of the trust fund, except that a financial institution, or any person employed by or directly associated with a financial institution, acting as a custodian for a trust fund is not prohibited from also acting as administrator or in any advisory capacity for such trust fund;

(c) Effect any transaction to relinquish possession of, distribute, expend, or transfer any of the assets of the trust fund without the prior written authorization of the board, except for:

(I) The purchase or sale of authorized investments or the exchange of such assets for other assets of equal or greater value provided that such sale, purchase, or exchange is solely in the accounts of the trust fund;

(II) Distributions to participating local governments; or

(III) The payment of routine fees and expenses that have been authorized by the board of trustees in the annual budget of the trust fund; or

(d) Execute any transaction with any of the assets of the trust fund without the written instruction of the investment adviser or a financial institution acting in an advisory capacity.

(2) The custodian shall reconcile the accounts of a trust fund on a daily basis.

**24-75-707. Investment adviser - duties - unlawful activities.** (1) An investment adviser, a broker-dealer, or a financial institution acting in an advisory capacity for a local government investment pool trust fund which contracts with the board of trustees of such trust fund shall be held

to the standard of conduct set forth in section 24-75-705 with respect to those functions over which such investment adviser, broker-dealer, or financial institution has substantial discretion.

(2) It is unlawful for any investment adviser to a local government investment pool trust fund or any investment adviser representative of such investment adviser to:

(a) Act as a member of the board of trustees or custodian of that trust fund; or

(b) Maintain the primary records of the trust fund anywhere but within this state; except that, the securities commissioner may, by rule or order, and subject to such terms and conditions as prescribed therein, permit the maintenance of such records in another state if the securities commissioner finds that maintenance of such records in this state is not necessary in the public interest and for the protection of participating local governments.

(3) It is unlawful for any broker-dealer or financial institution acting in an advisory capacity to a local government investment pool trust fund or any person employed by or directly associated with a broker-dealer or financial institution acting in an advisory capacity to such a trust fund to:

(a) Act as a member of the board of trustees of that trust fund; or

(b) Maintain the primary records of the trust fund anywhere but within this state; except that, the securities commissioner may, by rule or order, and subject to such terms and conditions as prescribed therein, permit the maintenance of such records in another state if the securities commissioner finds that maintenance of such records in this state is not necessary in the public interest and for the protection of participating local government.



**TITLE 29  
GOVERNMENT - LOCAL**

**ARTICLE 1  
Budget and Services**

**PART 1  
LOCAL GOVERNMENT BUDGET LAW OF COLORADO**

**29-1-101. Short title.** This part 1 shall be known and may be cited as the "Local Government Budget Law of Colorado".

**29-1-102. Definitions.** As used in this part 1, unless the context otherwise requires:

(1) "Appropriation" means the authorization by ordinance or resolution of a spending limit for expenditures and obligations for specific purposes.

(2) "Basis of budgetary accounting" means any one of the following methods of measurement of timing when revenue and other financing sources and expenditures and other financing uses are recognized for budget purposes:

(a) Cash basis (when cash is received and disbursed);

(b) Modified accrual basis (when revenue and other financing sources are due and available and when obligations or liabilities are incurred for expenditures and other financing uses, except for certain stated items such as, but not limited to, prepaids, inventories of consumable goods, and interest payable in a future fiscal year); or

(c) Encumbrance basis (the modified accrual basis, but including the recognition of encumbrances).

(3) "Budget" means the complete estimated financial plan of the local government.

(4) "Budget year" means the ensuing fiscal year.

(5) "Certified" means a written statement by a member of the governing body or a person appointed by the governing body that the document being filed is a true and accurate copy of the action taken by the governing body.

(6) "Division" means the division of local government in the department of local affairs.

(7) "Encumbrance" means a commitment related to unperformed contracts for goods or services.

(8) "Expenditure" means any use of financial resources of the local government consistent with its basis of accounting for budget purposes for the provision or acquisition of goods and services for operations, debt service, capital outlay, transfers, or other financial uses.

(9) "Fiscal year" means the period commencing January 1 and ending December 31; except

that "fiscal year" may mean the federal fiscal year for water conservancy districts which have contracts with the federal government.

(10) "Fund" means a fiscal and accounting entity with a self-balancing set of accounts in which cash and other financial resources, all related liabilities and residual equities or balances, and changes therein are recorded and segregated to carry on specific activities or to attain certain objectives in accordance with special regulations, restrictions, or limitations.

(11) "Fund balance" means the balance of total resources available for subsequent years' budgets consistent with the basis of accounting elected for budget purposes.

(12) "Governing body" means a board, council, or other elected or appointed body in which the legislative powers of the local government are vested.

(13) "Local government" means any authority, county, municipality, city and county, district, or other political subdivision of the state of Colorado; any institution, department, agency, or authority of any of the foregoing; and any other entity, organization, or corporation formed by intergovernmental agreement or other contract between or among any of the foregoing. The office of the county public trustee shall be deemed an agency of the county for the purposes of this part 1. "Local government" does not include the Colorado educational and cultural facilities authority, the university of Colorado hospital authority, the Colorado student obligation bond authority, the Colorado health facilities authority, the Colorado housing and finance authority, the Colorado agricultural development authority, the Colorado sheep and wool authority, the Colorado beef council authority, the Colorado horse development authority, the fire and police pension association, any public entity insurance or investment pool formed pursuant to state law, any county or municipal housing authority, any association of political subdivisions formed pursuant to section 29-1-401, or any home rule city or town, home rule city and county, cities and towns operating under a territorial charter, school district, or junior college district.

(14) "Object of expenditure" means the classification of fund data by character of expenditure. "Object of expenditure" includes, but is not limited to, personal services, purchased services, debt service, supplies, capital outlay, grants, and transfers.

(15) "Objection" means a written or oral protest filed by an elector of the local government.

(16) "Revenue" means all resources available to finance expenditures.

(17) "Spending agency", as designated by the local government, means any office, unit, department, board, commission, or institution which is responsible for any particular expenditures or revenues.

**29-1-103. Budgets required.** (1) Each local government shall adopt an annual budget. To the extent that the financial activities of any local government are fully reported in the budget or budgets of a parent local government or governments, a separate budget is not required. Such budget shall present a complete financial plan by fund and by spending agency within each fund for the budget year and shall set forth the following:

(a) All proposed expenditures for administration, operations, maintenance, debt service, and capital projects to be undertaken or executed by any spending agency during the budget year;

(b) Anticipated revenues for the budget year;

(c) Estimated beginning and ending fund balances;

(d) The corresponding actual figures for the prior fiscal year and estimated figures projected through the end of the current fiscal year, including disclosure of all beginning and ending fund balances, consistent with the basis of accounting used to prepare the budget;

(e) A written budget message describing the important features of the proposed budget, including a statement of the budgetary basis of accounting used and a description of the services to be delivered during the budget year; and

(f) Explanatory schedules or statements classifying the expenditures by object and the revenues by source.

(2) No budget adopted pursuant to this section shall provide for expenditures in excess of available revenues and beginning fund balances.

(3) (a) The general assembly finds and declares that the use of lease-purchase agreements by local governments creates financial obligations of those governments and that the disclosure of such obligations is in the public interest and is a matter of statewide concern.

(b) In addition to the governmental entities included in the definition of "local government" in section 29-1-102, the provisions of this subsection (3) shall apply to every home rule city, home rule city and county, school district, and junior college district.

(c) As used in this subsection (3), "lease-purchase agreement" means any installment purchase agreement for the purchase of real or personal property which requires payments during more than one fiscal year or any agreement for the lease or rental of real or personal property which requires payments during more than one fiscal year and under which title to the property is transferred at the end of the term for nominal or no additional consideration.

(d) (1) The budget adopted by every local government shall separately set forth each of the following:

(A) The total amount to be expended during the ensuing fiscal year for payment obligations under all lease-purchase agreements involving real property;

(B) The total maximum payment liability of the local government under all lease-purchase agreements involving real property over the entire terms of such agreements, including all optional renewal terms;

(C) The total amount to be expended during the ensuing fiscal year for payment obligations under all lease-purchase agreements other than those involving real property;



(D) The total maximum payment liability of the local government under all lease-purchase agreements other than those involving real property over the entire terms of such agreements, including all optional renewal terms.

(II) Each budget required to be filed pursuant to section 29-1-113 shall include a supplemental schedule that contains the information described in this paragraph (d).

(e) (I) No local government shall enter into any lease-purchase agreement whose duration, including all optional renewal terms, exceeds the weighted average useful life of the assets being financed. In the case of a lease-purchase agreement involving both real property and other property, the lease-purchase agreement shall provide that the real property involved shall be amortized over a period not to exceed its weighted average useful life and the other property shall be separately amortized over a period not to exceed its weighted average useful life. This provision shall not prevent a local government from releasing property from a lease-purchase agreement pursuant to an amortization schedule reflecting the times when individual pieces of property have been amortized.

(II) Nothing contained in this paragraph (e) shall be construed to apply to any lease-purchase agreement entered into prior to April 9, 1990.

**29-1-104. By whom budget prepared.** The governing body of each local government shall designate or appoint a person to prepare the budget and submit the same to the governing body.

**29-1-105. Budget estimates.** On or before a date to be determined by the governing body of each local government, all spending agencies shall prepare and submit to the person appointed to prepare the budget estimates of their expenditure requirements and their estimated revenues for the budget year, and, in connection therewith, the spending agency shall submit the corresponding actual figures for the last completed fiscal year and the estimated figures projected through the end of the current fiscal year and an explanatory schedule or statement classifying the expenditures by object and the revenues by source. In addition to the other information required by this section, every office, department, board, commission, and other spending agency of any local government shall prepare and submit to the person appointed to prepare the budget the information required by section 29-1-103 (3) (d). No later than October 15 of each year, the person appointed to prepare the budget shall submit such budget to the governing body.

**29-1-106. Notice of budget.** (1) Upon receipt of the proposed budget, the governing body shall cause to be published a notice containing the following information:

(a) The date and time of the hearing at which the adoption of the proposed budget will be considered;

(b) A statement that the proposed budget is available for inspection by the public at a designated public office located within the boundaries of the local government, or, if no public office is located within such boundaries, the nearest public office where the budget is available; and

(c) A statement that any interested elector of the local government may file any objections



to the proposed budget at any time prior to the final adoption of the budget by the governing body.

(2) If the governing body has submitted or intends to submit a request for increased property tax revenues to the division pursuant to section 29-1-302 (1), the amount of the increased property tax revenues resulting from such request shall be stated in such notice or in a subsequent notice in the manner provided in subsection (3) of this section.

(3) (a) For any local government whose proposed budget is more than fifty thousand dollars, the notice required by subsection (1) of this section shall be published one time in a newspaper having general circulation in the local government.

(b) Any local government whose proposed budget is fifty thousand dollars or less shall cause copies of the notice required by subsection (1) of this section to be posted in three public places within the jurisdiction of such local government in lieu of such publication.

**29-1-107. Objections to budget.** Any elector of the local government has the right to file or register his protest with the governing body prior to the time of the adoption of the budget.

**29-1-108. Adoption of budget - appropriations - failure to adopt.** (1) The governing body of the local government shall hold a hearing to consider the adoption of the proposed budget, at which time objections of the electors of the local government shall be considered. The governing body shall revise, alter, increase, or decrease the items as it deems necessary in view of the needs of the various spending agencies and the anticipated revenue of the local government. Adoption of the proposed budget shall be effective only upon an affirmative vote of a majority of the members of the governing body.

(2) Before the mill levy is certified pursuant to section 39-1-111 or 39-5-128, C.R.S., the governing body shall enact an ordinance or resolution adopting the budget and making appropriations for the budget year. The amounts appropriated shall not exceed the expenditures specified in the budget. Appropriations shall be made by fund or by spending agencies within a fund, as determined by the governing body. Changes to the adopted budget or appropriation shall be made in accordance with the provisions of section 29-1-109.

(3) If the governing body fails to adopt a budget before certification of the mill levy as provided for in subsection (2) of this section, then ninety percent of the amounts appropriated in the current fiscal year for operation and maintenance expenses shall be deemed reappropriated for the purposes specified in such last appropriation ordinance or resolution.

(4) If the appropriations for the budget year have not been made by December 31 of the current fiscal year, then ninety percent of the amount appropriated in the current fiscal year for operation and maintenance expenses shall be deemed reappropriated for the budget year.

(5) Notwithstanding any other provision of law, the adoption of the budget, the appropriation of funds, and the certification of the mill levy shall be effective upon adoption.

(6) All unexpended appropriations, or unencumbered appropriations if the encumbrance basis of budgetary accounting is adopted, expire at the end of the fiscal year.

**29-1-109. Changes to budget - transfers - supplemental appropriations.** (1) (a) If, after adopting the budget and making appropriations, the governing body of a local government deems it necessary, it may transfer appropriated moneys between funds or between spending agencies within a fund, as determined by the original appropriation level, in accordance with the procedures established in subsection (2) of this section.

(b) If, after adoption of the budget, the local government receives unanticipated revenues or revenues not assured at the time of the adoption of the budget from any source other than the local government's property tax mill levy, the governing body may authorize the expenditure of such funds by enacting a supplemental budget and appropriation.

(c) In the event that revenues are lower than anticipated in the adopted budget, the governing body may adopt a revised appropriation ordinance or resolution as provided in section 29-1-108.

(2) (a) Any transfer, supplemental appropriation, or revised appropriation made pursuant to this section shall be made only by ordinance or resolution which complies with the notice provisions of section 29-1-106.

(b) For transfers, such ordinance or resolution shall set forth in full the amounts to be transferred and shall be documented in detail in the minutes of the meeting of the governing body. A certified copy of such ordinance or resolution shall be transmitted immediately to the affected spending agencies and the officer or employee of the local government whose duty it is to draw warrants or orders for the payment of money and to keep the record of expenditures as required by section 29-1-114. A certified copy of such ordinance or resolution shall be filed with the division.

(c) For supplemental budgets and appropriations, such ordinance or resolution shall set forth in full the source and amount of such revenue, the purpose for which such revenues are being budgeted and appropriated, and the fund or spending agency which shall make such supplemental expenditure. A certified copy of such ordinance or resolution shall be filed with the division.

**29-1-110. Expenditures not to exceed appropriation.** (1) During the fiscal year, no officer, employee, or other spending agency shall expend or contract to expend any money, or incur any liability, or enter into any contract which, by its terms, involves the expenditures of money in excess of the amounts appropriated. Any contract, verbal or written, made in violation of this section shall be void, and no moneys belonging to a local government shall be paid on such contract.

(2) Multiple-year contracts may be entered into where allowed by law or if subject to annual appropriation.

**29-1-111. Contingencies.** In cases of emergency which could not have been reasonably foreseen at the time of adoption of the budget, the governing body may authorize the expenditure of funds in excess of the appropriation by ordinance or resolution duly adopted by a majority vote of such governing body at a public meeting. Such ordinance or resolution shall set forth the facts concerning such emergency and shall be documented in detail in the minutes of the meeting of such governing body at which such ordinance or resolution was adopted. A certified copy of such ordinance or resolution shall be filed with the division.

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**29-1-112. Payment for contingencies.** In case of an emergency and the passage of an

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ordinance or resolution authorizing additional expenditures in excess of the appropriation as provided in section 29-1-111 and if there is money available for such excess expenditure in some other fund or spending agency which will not be needed for expenditures during the balance of the fiscal year, the governing body shall transfer the available money from such fund to the fund from which the excess expenditures are to be paid. If available money which can be so transferred is not sufficient to meet the authorized excess expenditure, then the governing body may obtain a temporary loan to provide for such excess expenditures. The total amount of the temporary loan shall not exceed the amount which can be raised by a two-mill levy on the total assessed valuation of the taxable property within the limits of the local government of such governing body.

**29-1-113. Filing of budget.** (1) No later than thirty days following the beginning of the fiscal year of the budget adopted pursuant to section 29-1-108, the governing body shall cause a certified copy of such budget, including the budget message, to be filed in the office of the division. Copies of such budget and of ordinances or resolutions authorizing expenditures or the transfer of funds shall be filed with the officer or employee of the local government whose duty it is to disburse moneys or issue orders for the payment of money.

(2) Notwithstanding the provisions of section 29-1-102 (13), budgets shall be filed with the division by home rule cities, cities and counties, and towns and cities operating under a territorial charter for the purpose of information and research.

(3) If the governing body of a local government fails to file a certified copy of the budget with the division as required by this section, the division, after notice to the affected local government, may notify any county treasurer holding moneys of the local government generated pursuant to the taxing authority of such local government and authorize the county treasurer to prohibit release of any such moneys until the local government complies with the provisions of this section.

**29-1-114. Record of expenditures.** The officer or employee of the local government whose duty it is to disburse moneys or issue orders for the payment of money shall keep in his office a record showing the amounts authorized by the appropriation and the expenditures drawn against the same and also a record of the transfer of moneys from one fund to another and of any authorized additional expenditures as provided in section 29-1-111. Such record shall be kept so that it will show at all times the unexpended balance in each of the appropriated funds or spending agencies. Such officer or employee shall report on such record as may be required by the governing body. No such officer or employee shall disburse any moneys or issue orders for the payment of money in excess of the amount available as shown by said record or report.

**29-1-115. Violation is malfeasance - removal.** Any member of the governing body of any local government or any officer, employee, or agent of any spending agency who knowingly or willfully fails to perform any of the duties imposed upon him by this part 1 or who knowingly and willfully violates any of its provisions is guilty of malfeasance in office, and, upon conviction thereof, the court shall enter judgment that such officer so convicted shall be removed from office. Any elector of the local government may file an affidavit regarding suspected malfeasance with the district attorney, who shall investigate the allegations and prosecute the violation if sufficient cause



is found. It is the duty of the court rendering any such judgment to cause immediate notice of such removal to be given to the proper officer of the local government so that the vacancy thus caused may be filled.

## **PART 2 INTERGOVERNMENTAL RELATIONSHIPS**

**29-1-201. Legislative declaration.** The purpose of this part 2 is to implement the provisions of section 18 (2) (a) and (2) (b) of article XIV of the state constitution, adopted at the 1970 general election, and the amendment to section 2 of article XI of the state constitution, adopted at the 1974 general election, by permitting and encouraging governments to make the most efficient and effective use of their powers and responsibilities by cooperating and contracting with other governments, and to this end this part 2 shall be liberally construed.

**29-1-202. Definitions.** As used in this part 2, unless the context otherwise requires:

(1) "Government" means any political subdivision of the state, any agency or department of the state government or of the United States, a federally recognized tribal entity, and any political subdivision of an adjoining state.

(2) "Political subdivision" means a county, city and county, city, town, service authority, school district, local improvement district, law enforcement authority, city or county housing authority, or water, sanitation, fire protection, metropolitan, irrigation, drainage, or other special district, or any other kind of municipal, quasi-municipal, or public corporation organized pursuant to law.

**29-1-203. Government may cooperate or contract - contents.** (1) Governments may cooperate or contract with one another to provide any function, service, or facility lawfully authorized to each of the cooperating or contracting units, including the sharing of costs, the imposition of taxes, or the incurring of debt, only if such cooperation or contracts are authorized by each party thereto with the approval of its legislative body or other authority having the power to so approve.

(2) Any such contract shall set forth fully the purposes, powers, rights, obligations, and the responsibilities, financial and otherwise, of the contracting parties.

(3) Where other provisions of law provide requirements for special types of intergovernmental contracting or cooperation, those special provisions shall control.

(4) Any such contract may provide for the joint exercise of the function, service, or facility, including the establishment of a separate legal entity to do so.

(5) Any separate legal entity formed pursuant to the provisions of this part 2 may make loans to any government which enters into any contract pursuant to the provisions of this section, which loans may be secured by loan and security agreements, leases, or any other instruments upon such terms and conditions, including, without limitation, the terms and conditions authorized by section 31-35-402 (1) (h), C.R.S., as the board of directors of such intergovernmental entity shall determine.



(6) The provisions of articles 10.5 and 47 of title 11, C.R.S., shall apply to moneys of such separate legal entities.

**29-1-204. Establishment of separate governmental entity.** (1) Any combination of cities and towns of this state which are authorized to own and operate electric systems may, by contract with each other or with cities and towns of any adjoining state, establish a separate governmental entity, to be known as a power authority, to be used by such contracting municipalities to effect the development of electric energy resources or production and transmission of electric energy in whole or in part for the benefit of the inhabitants of such contracting municipalities.

(2) Any contract establishing such separate governmental entity shall specify:

(a) The name and purpose of such entity and the functions or services to be provided by such entity;

(b) The establishment and organization of a governing body of the entity, which shall be a board of directors in which all legislative power of the entity is vested, including:

(I) The number of directors, their manner of appointment, their terms of office, their compensation if any, and the procedure for filling vacancies on the board;

(II) The officers of the entity, the manner of their selection, and their duties;

(III) The voting requirements for action by the board; except that, unless specifically provided otherwise, a majority of directors shall constitute a quorum, and a majority of the quorum shall be necessary for any action taken by the board;

(IV) The duties of the board which shall include the obligation to comply with the provisions of parts 1, 5, and 6 of this article;

(c) Provisions for the disposition, division, or distribution of any property or assets of the entity;

(d) The term of the contract, which may be continued for a definite term or until rescinded or terminated, and the method, if any, by which it may be rescinded or terminated; except that such contract may not be rescinded or terminated so long as the entity has bonds, notes, or other obligations outstanding, unless provision for full payment of such obligations, by escrow or otherwise, has been made pursuant to the terms of such obligations.

(3) The general powers of such entity shall include the following powers:

(a) To develop electric energy resources and produce or transmit electric energy in whole or in part for the benefit of the inhabitants of the contracting municipalities;

(b) To make and enter into contracts, including, without limitation, contracts with cities and towns in any adjoining state, irrespective of whether such cities and towns are parties to the contract establishing the separate governmental entity;

(c) To employ agents and employees;

(d) To acquire, construct, manage, maintain, or operate electric energy facilities, works, or improvements or any interest therein;

(e) To acquire, hold, lease (as lessor or lessee), sell, or otherwise dispose of any real or personal property, commodity, or service;

(f) To condemn property for public use, if such property is not owned by any public utility and devoted to such public use pursuant to state authority;

(g) To incur debts, liabilities, or obligations;

(h) To sue and be sued in its own name;

(i) To have and use a corporate seal;

(j) To fix, maintain, and revise fees, rates, and charges for functions, services, or facilities provided by the entity;

(k) To adopt, by resolution, regulations respecting the exercise of its powers and the carrying out of its purposes;

(l) To exercise any other powers which are essential to the provision of functions, services, or facilities by the entity and which are specified in the contract;

(m) To do and perform any acts and things authorized by this section under, through, or by means of an agent or by contracts with any person, firm, or corporation;

(n) To deposit moneys of the power authority not then needed in the conduct of the power authority affairs in any depository authorized in section 24-75-603, C.R.S. For the purpose of making such deposits, the board of directors may appoint, by written resolution, one or more persons to act as custodians of the moneys of the power authority. Such persons shall give surety bonds in such amounts and form and for such purposes as the board requires.

(o) To acquire or cross railroad rights-of-way in the manner set forth in section 40-5-105, C.R.S.

(4) The separate governmental entity established by such contracting municipalities shall be a political subdivision and a public corporation of the state, separate from the parties to the contract, and shall be a validly created and existing political subdivision and public corporation of the state, irrespective of whether a contracting municipality, including a city or town of an adjoining state, withdraws (whether voluntarily, by operation of law, or otherwise) from such entity subsequent to its creation under circumstances not resulting in the rescission or termination of the contract establishing such entity pursuant to its terms. It shall have the duties, privileges, immunities, rights, liabilities, and disabilities of a public body politic and corporate. The provisions

of articles 10.5 and 47 of title 11, C.R.S., shall apply to moneys of the entity.

(5) The bonds, notes, and other obligations of such separate governmental entity shall not be the debts, liabilities, or obligations of the contracting municipalities.

(6) The contracting municipalities may provide in the contract for payment to the separate governmental entity of funds from proprietary revenues for services rendered by the entity, from proprietary revenues or other public funds as contributions to defray the cost of any purpose set forth in the contract, and from proprietary revenues or other public funds as advances for any purpose subject to repayment by the entity.

(7)(a) To carry out the purposes for which the separate governmental entity was established, the entity is authorized to issue bonds, notes, or other obligations payable solely from the revenues derived or to be derived from the function, service, or facility or the combined functions, services, or facilities of the entity or from any other available funds of the entity. The terms, conditions, and details of said bonds, notes, and other obligations, the procedures related thereto, and the refunding thereof shall be set forth in the resolution authorizing said bonds, notes, or other obligations and shall, as nearly as may be practicable, be substantially the same as those provided in part 4 of article 35 of title 31, C.R.S., relating to water and sewer revenue bonds; except that the purposes for which the same may be issued shall not be so limited and except that said bonds, notes, and other obligations may be sold at public or private sale. Bonds, notes, or other obligations issued under this subsection (7) shall not constitute an indebtedness of the entity or the cooperating or contracting municipalities within the meaning of any constitutional or statutory limitation or other provision. Each bond, note, or other obligation issued under this subsection (7) shall recite in substance that said bond, note, or other obligation, including the interest thereon, is payable solely from the revenues and other available funds of the entity pledged for the payment thereof and that said bond, note, or other obligation does not constitute a debt of the entity or the cooperating or contracting municipalities within the meaning of any constitutional or statutory limitations or provisions. Notwithstanding anything in this section to the contrary, such bonds, notes, and other obligations may be issued to mature at such times not beyond forty years from their respective issue dates, shall bear interest at such rates, and shall be sold at, above, or below the principal amount thereof, all as shall be determined by the board of the entity. Notwithstanding anything in this section to the contrary, in the case of short-term notes or other obligations maturing not later than one year from the date of issuance thereof, the board of the entity may authorize officials of the entity to fix principal amounts, maturity dates, interest rates, and purchase prices of any particular issue of such short-term notes or obligations, subject to such limitations as to maximum term, maximum principal amount outstanding, and maximum net effective interest rates as the board shall prescribe by resolution. Such action may be taken by the board of the entity only at a public meeting preceded by adequate notice, and the action of the board shall be properly recorded on the permanent records of the board.

(b) The resolution, trust indenture, or other security agreement under which any bonds, notes, or other obligations are issued shall constitute a contract with the holders thereof, and it may contain such provisions as shall be determined by the board of the entity to be appropriate and necessary in connection with the issuance thereof and to provide security for the payment thereof, including, without limitation, any mortgage or other security interest in any revenues, funds, rights, or properties of the entity. The bonds, notes, and other obligations of the entity and the income



therefrom shall be exempt from taxation, except inheritance, estate, and transfer taxes.

(8) A separate governmental entity established by contracting municipalities shall, if the contract so provides, be the successor to any nonprofit corporation, agency, or other entity theretofore organized by the contracting municipalities to provide the same function, service, or facility, and such separate governmental entity shall be entitled to all rights and privileges and shall assume all obligations and liabilities of such other entity under existing contracts to which such other entity is a party.

(9) The authority granted pursuant to this section shall in no manner limit the powers of governments to enter into intergovernmental cooperation or contracts or to establish separate legal entities pursuant to the provisions of section 29-1-203 or any other applicable law or otherwise to carry out their powers under applicable statutory or charter provisions, nor shall such authority limit the powers reserved to cities and towns by section 2 of article XI of the state constitution. Nothing in this part 2 constitutes a legislative declaration of preference for electric systems owned by separate governmental entities over electric systems owned by other or different entities.

(10) For the purposes of subsection (1), paragraph (b) of subsection (3), and subsection (4) of this section, "cities and towns of any adjoining state" means any city or town located in any state sharing a common border with the state of Colorado which owns an electric system and which is located not more than fifteen miles from the common border of the state of Colorado and such adjoining state.

**29-1-204.2. Establishment of separate governmental entity to develop water resources, systems, and facilities.** (1) Any combination of municipalities, special districts, or other political subdivisions of this state that are authorized to own and operate water systems or facilities or drainage facilities may establish, by contract with each other, a separate governmental entity, to be known as a water authority, to be used by such contracting parties to effect the development of water resources, systems, or facilities or of drainage facilities in whole or in part for the benefit of the inhabitants of such contracting parties or others at the discretion of the board of directors of the water or drainage authority.

(2) Any contract establishing such separate governmental entity shall specify:

(a) The name and purpose of such entity and the functions or services to be provided by such entity;

(b) The establishment and organization of a governing body of the entity, which shall be a board of directors in which all legislative power of the entity is vested, including:

(I) The number of directors, their manner of appointment, their terms of office, their compensation, if any, and the procedure for filling vacancies on the board;

(II) The officers of the entity, the manner of their selection, and their duties;

(III) The voting requirements for action by the board; except that, unless specifically provided otherwise, a majority of directors shall constitute a quorum, and a majority of the quorum



shall be necessary for any action taken by the board;

(IV) The duties of the board, which shall include the obligation to comply with the provisions of parts 1, 5, and 6 of this article;

(c) Provisions for the disposition, division, or distribution of any property or assets of the entity;

(d) The term of the contract, which may be continued for a definite term or until rescinded or terminated, and the method, if any, by which it may be rescinded or terminated; except that such contract may not be rescinded or terminated so long as the entity has bonds, notes, or other obligations outstanding, unless provision for full payment of such obligations, by escrow or otherwise, has been made pursuant to the terms of such obligations;

(e) The conditions or requirements to be fulfilled for adding or deleting parties to the contract in the future or for providing water services and drainage facilities to others outside the boundaries of the contracting parties.

(3) The general powers of such entity shall include the following powers:

(a) To develop water resources, systems, or facilities or drainage facilities in whole or in part for the benefit of the inhabitants of the contracting parties or others, at the discretion of the board of directors, subject to fulfilling any conditions or requirements set forth in the contract establishing the entity;

(b) To make and enter into contracts;

(c) To employ agents and employees;

(d) To acquire, construct, manage, maintain, or operate water systems, facilities, works, or improvements, or drainage facilities, or any interest therein;

(e) To acquire, hold, lease (as lessor or lessee), sell, or otherwise dispose of any real or personal property utilized only for the purposes of water treatment, distribution, and waste water disposal, or of drainage;

(f) To condemn property for use as rights-of-way only if such property is not owned by any public utility and devoted to such public use pursuant to state authority;

(g) To incur debts, liabilities, or obligations;

(h) To sue and be sued in its own name;

(i) To have and use a corporate seal;

(j) To fix, maintain, and revise fees, rates, and charges for functions, services, or facilities

provided by the entity;

(k) To adopt, by resolution, regulations respecting the exercise of its powers and the carrying out of its purpose;

(l) To exercise any other powers which are essential to the provision of functions, services, or facilities by the entity and which are specified in the contract;

(m) To do and perform any acts and things authorized by this section under, through, or by means of an agent or by contracts with any person, firm, or corporation;

(n) To permit other municipalities, special districts, or political subdivisions of this state that are authorized to supply water or to provide drainage facilities to enter the contract at the discretion of the board of directors, subject to fulfilling any and all conditions or requirements of the contract establishing the entity; except that rates need not be uniform between the authority and the contracting parties;

(o) To provide for the rehabilitation of any surfaces adversely affected by the construction of water pipelines, facilities, or systems or of drainage facilities through the rehabilitation of plant cover, soil stability, and other measures appropriate to the subsequent beneficial use of such lands;

(p) To justly indemnify property owners or others affected for any losses or damages incurred, including reasonable attorney fees, or that may subsequently be caused by or which result from actions of such corporations.

(4) The separate governmental entity established by such contracting parties shall be a political subdivision and a public corporation of the state, separate from the parties to the contract. It shall have the duties, privileges, immunities, rights, liabilities, and disabilities of a public body politic and corporate. The provisions of articles 10.5 and 47 of title 11, C.R.S., shall apply to moneys of the entity.

(5) The bonds, notes, and other obligations of a water or drainage authority formed under the provisions of this section shall not be the debts, liabilities, or obligations of the original contracting parties or parties that may enter the establishing contract in the future.

(6) The contracting parties may provide in the contract for payment to the separate governmental entity of funds from proprietary revenues for services rendered by the entity, from proprietary revenues or other public funds as contributions to defray the cost of any purpose set forth in the contract, and from proprietary revenues or other public funds as advances for any purpose subject to repayment by the entity.

(7)(a) To carry out the purposes for which the separate governmental entity was established, the entity is authorized to issue bonds, notes, or other obligations payable solely from the revenues derived from the function, service, system, or facility or the combined functions, services, systems, or facilities of the entity or from any other available funds of the entity. The terms, conditions, and details of said bonds, notes, and other obligations, the procedures related thereto, and the refunding

thereof shall be set forth in the resolution authorizing said bonds, notes, or other obligations and, as nearly as may be practicable, shall be substantially the same as those provided in part 4 of article 35 of title 31, C.R.S., relating to water and sewer revenue bonds; except that the purposes for which the same may be issued shall not be so limited and except that said bonds, notes, and other obligations may be sold at public or private sale. Bonds, notes, or other obligations issued under this subsection (7) shall not constitute an indebtedness of the entity or the cooperating or contracting parties within the meaning of any constitutional or statutory limitations or other provision. Each bond, note, or other obligation issued under this subsection (7) shall recite in substance that said bond, note, or other obligation, including the interest thereon, is payable solely from the revenues and other available funds of the entity pledged for the payment thereof and that said bond, note, or other obligation does not constitute a debt of the entity or the cooperating or contracting parties within the meaning of any constitutional or statutory limitation or provision. Notwithstanding anything in this section to the contrary, such bonds, notes, and other obligations may be issued to mature at such times not beyond forty years from their respective issue dates, shall bear interest at such rates, and shall be sold at, above, or below the principal amount thereof, all as shall be determined by the board of directors of the entity.

(b) The resolution, trust indenture, or other security agreement under which any bonds, notes, or other obligations are issued shall constitute a contract with the holders thereof, and it may contain such provisions as shall be determined by the board of directors of the entity to be appropriate and necessary in connection with the issuance thereof and to provide security for the payment thereof, including, without limitation, any mortgage or other security interest in any revenues, funds, rights, or properties of the entity. The bonds, notes, and other obligations of the entity and the income therefrom shall be exempt from taxation by this state, except inheritance, estate, and transfer taxes.

(8) A separate governmental entity established by contract, if the contract so provides, shall be the successor to any nonprofit corporation, agency, or other entity theretofore organized by the contracting parties to provide the same function, service, system, or facility, and such separate governmental entity shall be entitled to all rights and privileges and shall assume all obligations and liabilities of such other entity under existing contracts to which such other entity is a party.

(9) The authority granted pursuant to this section shall in no manner limit the powers of governments to enter into intergovernmental cooperation or contracts or to establish separate legal entities pursuant to the provisions of section 29-1-203 or any other applicable law or otherwise to carry out their powers under applicable statutory or charter provisions, nor shall such authority limit the powers reserved to cities and towns by section 2 of article XI of the state constitution. Nothing in this part 2 constitutes a legislative declaration of preference for water systems or facilities or for drainage facilities owned by separate governmental entities over water systems or facilities or over drainage facilities owned by other or different entities.

**29-1-204.5. Establishment of multi-jurisdictional housing authorities.** (1) Any combination of home rule or statutory cities, towns, counties, and cities and counties of this state may, by contract with each other, establish a separate governmental entity to be known as a multi-jurisdictional housing authority, referred to in this section as an "authority". Such an authority may be used by such contracting member governments to effect the planning, financing, acquisition,



construction, reconstruction or repair, maintenance, management, and operation of housing projects or programs pursuant to a multijurisdictional plan:

(a) To provide dwelling accommodations at rental prices within the means of families of low or moderate income; and

(b) To provide affordable housing projects or programs for employees of employers located within the jurisdiction of the authority.

(2) Any contract establishing any such authority shall specify:

(a) The name and purpose of such authority and the functions or services to be provided by such authority;

(a.5) The boundaries of the authority, which boundaries may include less than the entire area of the separate government entities and may be modified after the establishment of the authority as provided in the contract;

(b) The establishment and organization of a governing body of the authority, which shall be a board of directors, referred to in this section as the "board", in which all legislative power of the authority is vested, including:

(I) The number of directors, their manner of appointment, their terms of office, their compensation, if any, and the procedure for filling vacancies on the board;

(II) The officers of the authority, the manner of their selection, and their duties;

(III) The voting requirements for action by the board; except that, unless specifically provided otherwise, a majority of directors shall constitute a quorum, and a majority of the quorum shall be necessary for any action taken by the board;

(IV) The duties of the board, which shall include the obligation to comply with the provisions of parts 1, 5, and 6 of this article;

(c) Provisions for the disposition, division, or distribution of any property or assets of the authority;

(d) The term of the contract, which may be continued for a definite term or until rescinded or terminated, and the method, if any, by which it may be rescinded or terminated; except that such contract may not be rescinded or terminated so long as the authority has bonds, notes, or other obligations outstanding, unless provision for full payment of such obligations, by escrow or otherwise, has been made pursuant to the terms of such obligations.

(e) The expected sources of revenue of the authority and any requirements that contracting member governments consent to the levying of any taxes or development impact fees within the jurisdiction of such member. If the authority levies any taxes or development impact fees, the contract shall further include requirements that:



(I) Prior to and as a condition of levying any such taxes or fees, the board shall adopt a resolution determining that the levying of such taxes or fees will fairly distribute the costs of the authority's activities among the persons and businesses benefited thereby and will not impose an undue burden on any particular group of persons or business;

(II) Each such tax or fee shall conform with any requirements specified in subsection (3) of this section; and

(III) The authority shall designate a financial officer who shall coordinate with the department of revenue regarding the collection of a sales and use tax authorized pursuant to paragraph (f.1) of subsection (3) of this section. This coordination shall include but not be limited to the financial officer identifying those businesses eligible to collect the sales and use tax and any other administrative details identified by the department.

(3) The general powers of such authority shall include the following powers:

(a) To plan, finance, acquire, construct, reconstruct or repair, maintain, manage, and operate housing projects pursuant to a multi-jurisdictional plan within the means of families of low or moderate income;

(a.5) To plan, finance, acquire, construct, reconstruct or repair maintain, manage, and operate affordable housing projects or programs for employees of employers located within the jurisdiction of the authority;

(b) To make and enter into contracts with any person, including, without limitation, contracts with state or federal agencies, private enterprises, and nonprofit organizations also involved in providing such housing projects or programs or the financing for such housing projects or programs, irrespective of whether such agencies are parties to the contract establishing the authority;

(c) To employ agents and employees;

(d) To cooperate with state and federal governments in all respects concerning the financing of such housing projects and programs;

(e) To acquire, hold, lease (as lessor or lessee), sell, or otherwise dispose of any real or personal property, commodity, or service;

(f) To condemn property for public use, if such property is not owned by any governmental entity or any public utility and devoted to public use pursuant to state authority;

(f.1) (I) Subject to the provisions of subsection (7.5) of this section to levy, in all of the area within the boundaries of the authority, a sales or use tax, or both, at a rate not to exceed one percent, upon every transaction or other incident with respect to which a sales or use tax is levied by the state. The tax imposed pursuant to this paragraph (f.1) is in addition to any other sales or use tax imposed pursuant to law and is exempt from the limitation imposed by section 29-2-108. The executive director of the department of revenue shall collect, administer, and enforce the sales or

use tax, to the extent feasible, in the manner provided in section 29-2-106. However, the executive director shall not begin the collection, administration, and enforcement of a sales and use tax until such time as the financial officer of the authority and the executive director have agreed on all necessary matters pursuant to subparagraph (III) of a paragraph (e) of subsection (2) of this section. The executive director shall begin the collection, administration, and enforcement of a sales and use tax on a date mutually agreeable to the department of revenue and the authority.

(II) The executive director shall make monthly distributions of the tax collections to the authority, which shall apply the proceeds solely to the planning, financing, acquisition, construction, reconstruction or repair, maintenance, management, and operation of housing projects or programs within the means of families of low or moderate income.

(III) The department of revenue shall retain an amount not to exceed the cost of the collection, administration, and enforcement and shall transmit the amount retained to the state treasurer, who shall credit the same amount to the multijurisdictional housing authority sales tax fund, which fund is hereby created in the state treasury. The amounts so retained are hereby appropriated annually from the fund to the department to the extent necessary for the department's collection, administration, and enforcement of the provisions of this section. Any moneys remaining in the fund attributable to taxes collected in the prior fiscal year shall be transmitted to the authority; except that, prior to the transmission to the authority of such moneys, any moneys appropriated from the general fund to the department for the collection, administration, and enforcement of the tax for the prior fiscal year shall be repaid.

(f.2) Subject to the provisions of subsection (7.5) of this section, to levy, in all of the area within the boundaries of the authority, an ad valorem tax at a rate not to exceed five mills on each dollar of valuation for assessment of the taxable property within such area. The tax imposed pursuant to this paragraph (f.2) shall be in addition to any other ad valorem tax imposed pursuant to law. In

accordance with the schedule prescribed by section 39-5-128, C.R.S., the board shall certify to the board of county commissioners of each county within the authority, or having a portion of its territory within the district, the levy of ad valorem property taxes in order that, at the time and in the manner required by law for the levying of taxes, such board of county commissioners shall levy such tax upon the valuation for assessment of all taxable property within the designated portion of the area within the boundaries of the authority. It is the duty of the body having authority to levy taxes within each county to levy the taxes provided by this subsection (3). It is the duty of all officials charged with the duty of collecting taxes to collect such taxes at the time and in the form and manner and with like interest and penalties as other taxes are collected and when collected to pay the same to the authority ordering the levy and collection. The payment of such collections shall be made monthly to the authority or paid into the depository thereof to the credit of the authority. All taxes levied under this paragraph (f.2), together with interest thereon and penalties for default in payment thereof, and all costs of collecting the same shall constitute, until paid, a perpetual lien on and against the property taxed, and such lien shall be on a parity with the tax lien of other general taxes.

(f.5) (I) To establish, and from time to time increase or decrease, a development impact fee and collect such fee from persons who own property located within the boundaries of the authority who apply for approval for new residential, commercial, or industrial construction in accordance with applicable ordinances, resolutions, or regulations of any county or municipality.

(II) Notwithstanding the provisions of subparagraph (I) of this paragraph (f.5), an impact fee may only be imposed by an authority if all of the following conditions have been satisfied:

(A) No portion of the authority is located in a county with a population of more than one hundred thousand;

(B) The fee is not levied upon the development, construction, permitting, or otherwise in connection with low or moderate income housing or affordable employee housing;

(C) The rate of the fee is two dollars per square foot or less; and

(D) The authority also imposes a sales and use tax pursuant to paragraph (f.1) of this subsection (3), an ad valorem tax pursuant to paragraph (f.2) of this subsection (3), or both.

(g) To incur debts, liabilities, or obligations;

(h) To sue and be sued in its own name;

(i) To have and use a corporate seal;

(j) To fix, maintain, and revise fees, rents, security deposits, and charges for functions, services, or facilities provided by the authority;

(k) To adopt, by resolution, regulations respecting the exercise of its powers and the carrying out of its purposes;

(l) To exercise any other powers that are essential to the provision of functions, services, or facilities by the authority and that are specified in the contract;

(m) To do and perform any acts and things authorized by this section under, through, or by means of an agent or by contracts with any person, firm, or corporation.

(n) To establish enterprises for the ownership, planning, financing, acquisition, construction, reconstruction or repair, maintenance, management, or operation, or any combination of the foregoing, of housing projects or programs authorized by this section on the same terms as and subject to the same conditions provided in section 43-4-605, C.R.S.

(4) The authority established by such contracting member governments shall be a political subdivision and a public corporation of the state, separate from the parties to the contract, and shall be a validly created and existing political subdivision and public corporation of the state, irrespective of whether a contracting member government withdraws (whether voluntarily, by operation of law, or otherwise) from such authority subsequent to its creation under circumstances not resulting in the rescission or termination of the contract establishing such authority pursuant to its terms. It shall have the duties, privileges, immunities, rights, liabilities, and disabilities of a public body politic and corporate. The authority may deposit and invest its moneys in the manner provided in section 43-4-616, C.R.S.

(5) The bonds, notes, and other obligations of such authority shall not be the debts,



liabilities, or obligations of the contracting member governments.

(6) The contracting member governments may provide in the contract for payment to the authority of funds from proprietary revenues for services rendered or facilities provided by the authority, from proprietary revenues or other public funds as contributions to defray the cost of any purpose set forth in the contract, and from proprietary revenues or other public funds as advances for any purpose subject to repayment by the authority.

(7) (Deleted by amendment, L. 2001, p. 966, § 1, effective August 8, 2001.)

(7.1) The authority may issue revenue or general obligation bonds, as the term bond is defined in section 43-4-602 (3), C.R.S., and may pledge its revenues and revenue-raising powers for the payment of such bonds. Such bonds shall be issued on the terms and subject to the conditions set forth in section 43-4-609, C.R.S.

(7.3) The income or other revenues of the authority, all properties at any time owned by an authority, any bonds issued by an authority, and the transfer of and the income from any bonds issued by the authority are exempt from all taxation and assessments in the state.

(7.5) (a) No action by an authority to establish or increase any tax or development impact fee authorized by this section shall take effect unless first submitted to a vote of the registered electors of the authority in which the tax or development impact fee is proposed to be collected.

(b) No action by an authority creating a multiple-fiscal year debt or other financial obligation that is subject to section 20 (4) (b) of article X of the state constitution shall take effect unless first submitted to a vote of the registered electors residing within the boundaries of the authority; except that no such vote is required for obligations of enterprises established under paragraph (n) of subsection (3) of this section or for obligations of any other enterprise under section 20 (4) of article X of the state constitution.

(c) The questions proposed to the registered electors under paragraphs (a) and (b) of this subsection (7.5) shall be submitted at a general election or any election to be held on the first Tuesday in November of an odd-numbered year. The action shall not take effect unless a majority of the registered electors voting thereon at the election vote in favor thereof. The election shall be conducted in substantially the same manner as county elections and the county clerk and recorder of each county in which the election is conducted shall assist the authority in conducting the election. The authority shall pay the costs incurred by each county in conducting such an election. No moneys of the authority may be used to urge or oppose passage of an election required under this section.

(7.7) (a) For the purpose of determining any authority's fiscal year spending limit under section 20 (7) (b) of article X of the state constitution, the initial spending base of the authority shall be the amount of revenues collected by the authority from sources not excluded from fiscal year spending pursuant to section 20 (2) (e) of article X of the state constitution during the first full fiscal year for which the authority collected revenues.

(b) For purposes of this subsection (7.7), "fiscal year" means any year-long period used by



an authority for fiscal accounting purposes.

(8) An authority established by contracting member governments shall, if the contract so provides, be the successor to any nonprofit corporation, agency, or other entity theretofore organized by the contracting member governments to provide the same function, service, or facility, and such authority shall be entitled to all the rights and privileges and shall assume all the obligations and liabilities of such other entity under existing contracts to which such other entity is a party.

(9) The authority granted pursuant to this section shall in no manner limit the powers of governments to enter into intergovernmental cooperation or contracts or to establish separate legal entities pursuant to the provisions of section 29-1-203 or any other applicable law or otherwise to carry out their individual powers under applicable statutory or charter provisions, nor shall such authority limit the powers reserved to cities and towns by section 2 of article XI of the state constitution. Nothing in this part 2 constitutes a legislative declaration of preference for housing projects owned by authorities over housing projects owned by other or different entities.

(10) An authority and the property of an authority shall be exempt from all taxes and special assessments on the same basis and subject to the same conditions as provided for city housing authorities in sections 29-4-226 and 29-4-227.

**29-1-205. List of contracts.** On or before February 1 of each year, each political subdivision shall file with the division of local government an updated informational list of all contracts in effect with other political subdivisions. Said list shall contain the names of the contracting political subdivisions, the nature of the contract, and the expiration date thereof. Within ten days after the execution of a contract establishing a separate governmental entity pursuant to section 29-1-204, or an amendment or a modification thereof, a copy of such contract, amendment, or modification shall be filed with the division of local government. Failure to make any filing under this section shall not invalidate any contract referred to in this section.

**29-1-206. Law enforcement agreements.** Any county in this state that shares a common border with a county in another state, and any municipality located in such a bordering county of this state, may enter into an agreement with the bordering county of the other state or with a municipality located in the bordering county of the other state to provide for reciprocal law enforcement between such entities. Such agreement shall meet the requirements of section 29-1-203 and shall include, but shall not be limited to, an additional requirement that any person who is assigned to law enforcement duty in this state pursuant to such intergovernmental agreement and section 29-5-104 (2) shall be certified as a peace officer in the other state and shall apply to the peace officer standards and training board for recognition prior to such assignment.

### **PART 3**

#### **ANNUAL LEVY - INCREASES OR REDUCTION - LIMITATION**

**29-1-301. Levies reduced - limitation.** (1)(a) All statutory tax levies for collection in 1989 and thereafter when applied to the total valuation for assessment of the state, each of the counties, cities, and towns not chartered as home rule except as provided in this subsection (1), and each of the fire, sanitation, irrigation, drainage, conservancy, and other special districts established by law shall be so reduced as to prohibit the levying of a greater amount of revenue than was levied in the

preceding year plus five and one-half percent plus the amount of revenue abated or refunded by the taxing entity by August 1 of the current year less the amount of revenue received by the taxing entity by August 1 of the current year as taxes paid on any taxable property that had previously been omitted from the assessment roll of any year, except to provide for the payment of bonds and interest thereon, for the payment of any contractual obligation that has been approved by a majority of the qualified electors of the taxing entity, for the payment of expenses incurred in the reappraisal of classes or subclasses ordered by or conducted by the state board of equalization, for the payment to the state of excess state equalization payments to school districts which excess is due to the undervaluation of taxable property, or for the payment of capital expenditures as provided in subsection (1.2) of this section. For purposes of this subsection (1), the amount of revenues received as taxes paid on any taxable property that had been previously omitted from the assessment roll shall not include the amount of such revenues received as taxes paid on oil and gas leaseholds and lands that had been previously omitted from the assessment roll due to underreporting of the selling price or the quantity of oil or gas sold therefrom. In computing the limit, the following shall be excluded: The increased valuation for assessment attributable to annexation or inclusion of additional land, the improvements thereon, and personal property connected therewith within the taxing entity for the preceding year; the increased valuation for assessment attributable to new construction and personal property connected therewith, as defined by the property tax administrator in manuals prepared pursuant to section 39-2-109 (1) (e), C.R.S., within the taxing entity for the preceding year; the increased valuation for assessment attributable to increased volume of production for the preceding year by a producing mine if said mine is wholly or partially within the taxing entity and if said increase in volume of production causes an increase in the level of services provided by the taxing entity; and the increased valuation for assessment attributable to previously legally exempt federal property which becomes taxable if such property causes an increase in the level of services provided by the taxing entity.

(b) For property tax years beginning on or after January 1, 1991, any taxing entity may apply to the division of local government in the department of local affairs for authorization to exclude the following from the computation of the limitation set forth in paragraph (a) of this subsection (1): All or any portion of the increased valuation for assessment attributable to new primary oil or gas production for the preceding year from any producing oil and gas leasehold or land if such oil and gas leasehold or land is wholly or partially within the taxing entity and if such new primary oil or gas production has caused or will cause an increase in the level of services provided by the taxing entity.

(c) Any application submitted by a taxing entity pursuant to paragraph (b) of this subsection (1) shall contain the following information:

(I) An explanation of the causal relationship between the new primary oil or gas production specified in paragraph (b) of this subsection (1) and the increase in the level of services provided or to be provided by the taxing entity;

(II) The statutory mill levy and estimated amount of revenue that the taxing entity would collect if said exclusion is authorized;

(III) The statutory mill levy and estimated amount of revenue that the taxing entity would collect if said exclusion is not authorized;

(IV) The nature and amount of the expenditures which would be made from any increased amount of revenues collected if said exclusion is authorized.

(d) Upon receipt of an application which complies with the provisions of paragraph (c) of this subsection (1), the division of local government may grant or deny authority to the taxing entity to exclude all or any portion of such increased valuation for assessment specified in paragraph (b) of this subsection (1). Any authorization granted pursuant to this paragraph (d) shall specify the amount of such valuation for assessment which may be excluded. If said exclusion is authorized by said division, the taxing entity shall deposit any increased amount of revenues collected as a result of said exclusion into a fund created by the taxing entity which shall consist solely of such revenues. Moneys in such fund shall be used exclusively for any increase in the level of services provided by the taxing entity which occurs as a result of the new primary oil or gas production specified in paragraph (b) of this subsection (1).

(e) Upon receipt of an application which complies with the provisions of paragraph (c) of this subsection (1), the division of local government shall provide a copy of such application to the oil and gas operators of record wherein the taxing jurisdiction the increased valuation from new primary oil and gas production has occurred.

(f) Standing to challenge any determination made by the division of local government pursuant to this subsection (1) shall be limited to the owners of taxable property located wholly or partially within the taxing entity on the date the taxing entity is granted or denied authorization to make an exclusion pursuant to this subsection (1).

(1.2) (a) The limitation provided for in subsection (1) of this section shall not apply for the purpose of raising revenue to pay for capital expenditures. Such revenue shall not be included in determining the limitation in following years. For the purposes of this paragraph (a), "capital expenditure" means an expenditure made by a taxing entity for long-term additions or betterments, which expenditure, under generally accepted accounting principles, is not properly chargeable as an expense of operation and maintenance. This paragraph (a) shall apply to counties, cities, and towns.

(b) If a county imposes an increased mill levy pursuant to paragraph (a) of this subsection (1.2) for a one-time, nonrecurring expenditure for a county road or bridge capital project or county road or bridge capital asset, the county may also request that the division of local government waive application of the provisions of section 43-2-202 (2), C.R.S., to the revenue received from that increased levy. In that event, said division shall notify the governing body of each municipality in the county of the request and of the period of time, not less than twenty days, during which the division will receive comment on the request. In considering whether to waive application of said section 43-2-202 (2), the division shall consider, among other relevant matters, the benefit of the project or asset to the municipalities in the county, the need for the project or asset, and alternative methods of and timing for financing the project or asset. No approval for such waiver shall be granted or continued until the division determines that the property tax revenues in the road and bridge fund, excluding the revenues from such increased levy, for the year for which the increase is imposed bear at least the same proportion to all countywide property tax revenues as in the immediate prior year budget.



(c) Any decision to exceed the limitation for the purpose of raising revenue for capital expenditures pursuant to this subsection (1.2) shall conform with the advertising and public hearing requirements of this paragraph (c). No taxing entity may exceed the limitation to raise such revenue unless the governing board of such taxing entity has advertised its intention to do so and unless such excess has been approved by at least two-thirds of the members of such governing board voting at a public hearing. The advertisement specified in this paragraph (c) shall be in a newspaper published within the taxing entity, and, if there is no newspaper published within the taxing entity, then by publication in a newspaper published within the county which has general circulation within the taxing entity and shall appear twice therein. The second such appearance shall not be more than eight days prior to the date upon which the public hearing is to be held. The advertisement shall be no less than one-quarter page in size and shall have a caption in capital letters in a type no smaller than twenty-four-point stating "a public hearing shall be held to consider increasing your property taxes for capital expenditures". Such advertisement shall be in a type no smaller than eighteen-point and shall not be placed in that portion of the newspaper in which legal notices and classified advertisements appear. Such advertisement shall state that such board will hold a public hearing, at a time and place fixed in the advertisement, and the purpose of such hearing and shall apprise the general public of its right to attend the hearing and make comments regarding the proposed matter. Such advertisement shall also state what the property taxes would be without such excess and what the property taxes will be with such excess and the percentage difference between such property taxes. Any public hearing held pursuant to this paragraph (c) shall be open to the general public. An opportunity shall be provided for all persons to present oral testimony within such reasonable time limits as shall be set by the board conducting the hearing. Prior to the conclusion of the public hearing, the governing board of the taxing entity shall publicly announce the percent by which the mill levy required to raise such excess exceeds the mill levy computed without such excess.

### (1.3) Repealed.

(1.5) All property tax revenues, except such revenues as are exempted in subsection (1) of this section, raised from any property tax levied by a taxing entity which is subject to this section, shall be combined for the purpose of determining the total amount of property tax revenue which the taxing entity is allowed to raise subject to the limitation imposed by this section. The limitation shall be applied to such aggregate property tax revenues. However, such aggregate amount shall not include any property tax revenue which is raised by or on behalf of a district, authority, or area which is within but is not comprised of the entire taxing entity and which is raised by a tax upon only property within such district, authority, or area; such property tax revenue is subject to a limitation independent of the limitation which is applied to the taxing entity within which such district, authority, or area is located. No statute establishing a set mill levy or establishing a maximum mill levy or authorizing an additional mill levy for a special purpose shall be construed as authorizing the taxing entity to exceed the limitation imposed by this section.

(1.7) For property tax years commencing on or after January 1, 1988, any taxing entity which is subject to the provisions of this section shall not levy any property tax for purposes which are exempt from the limitation imposed by subsection (1) of this section in an amount which is greater than the amount of revenues required to be raised for such purposes during any year as specified by the provisions of any contract entered into by such taxing entity or any schedule of payments established for the payment of any obligation incurred by such taxing entity. Where bonds, contractual obligations, or capital expenditures have been approved, but actual revenues required



for such purposes are not known at the time the levy is set, the taxing entity may base its levy on the estimated revenues which are so required for one year only and in subsequent years the levy shall be based on the actual revenues which are so required. Nothing in this subsection (1.7) shall preclude refunding of any obligation or contract.

(2) If an increase over said limitation is allowed by the division of local government in the department of local affairs or voted by the electors of a taxing entity under the provisions of section 29-1-302, the increased revenue resulting therefrom shall be included in determining the limitation in the following year. However, any portion of such increased revenue which is allowed as a capital expenditure pursuant to section 29-1-302 (1.5) shall not be included in determining the limitation in the following year.

(3) The limitations of this part 3 shall apply to home rule counties unless provisions are included in the county home rule charter which are, as determined by the division of local government, equal to or more restrictive than the provisions of this part 3.

(4) In the event of a consolidation or merger, in whole or in part, of two or more political subdivisions or taxing entities, the surviving entity or the entity assuming service responsibilities shall use a direct proportion of the combined entities' prior year property tax revenues as the base for computing the limitation in the year first succeeding such consolidation or merger.

(5) Repealed.

(6) Where a taxing entity exceeds the limitation imposed by subsection (1) of this section during any year, the division of local government shall order a reduction in the authorized revenue of the taxing entity for the subsequent year in an amount which offsets the excess revenues levied in the preceding year. Such order shall be preceded by notice to the taxing entity of the proposed order and an opportunity for the taxing entity to respond prior to issuance of the order.

#### **29-1-301.1. Levies reduced - limitation - 1988. (Repealed)**

**29-1-302. Increased levy - submitted to people at election.** (1) If the board of any special district authorized to levy a tax or any officer charged with the duty of levying a tax in any special district is of the opinion that the amount of tax limited by section 29-1-301 will be insufficient for the needs of such special district for the current year, the question of an increased levy may be submitted to the division of local government in the department of local affairs, and it is the duty of said division to consider the public awareness of the question, the public support therefor, and the public objection thereto and to examine the needs of such special district and ascertain from such examination the financial condition thereof, and, if in the opinion of the division such special district is in need of additional funds, the said division may grant an increased levy for such special district above the limits specified in this part 3, and such special district is authorized to make such excess levy. The division of local government shall not under any circumstance grant an increased levy based upon increased valuation for assessment purposes from reappraisals. As used in this section, "special district" means any district organized pursuant to law, except school districts operating pursuant to title 22, C.R.S., which is authorized to levy an ad valorem tax on property within its

boundaries, and the term includes, but is not limited to, districts organized under article 20 of title 30, C.R.S., articles 25 and 35 of title 31, C.R.S., and titles 32 and 37, C.R.S.

(1.5) (a) The general assembly recognizes the need for periodic increased levies in order to finance capital projects and purchases of capital assets which are a one-time, nonrecurring expenditure. It is the intent of the general assembly that the division of local government may grant an increased levy for such expenditures if, in its opinion, a special district, to which section 29-1-301 (1.2) (a) does not apply, is in need of additional funds for such expenditures. Any increased levy granted by the division of local government in a given year which is designated by it as a capital expenditure shall not be included in determining the limitation in the following year. If the division is of the opinion that such additional funds will be needed for two or more years after reviewing the long-range plan of the special district concerning the expenditure of such funds, it may grant an increased levy, and such increased levy shall automatically be allowed for each year during which such additional funds will be needed. During such years, the increased levy for each year shall not be included in determining the limitation in the following year.

(b) Repealed.

(2) (a) In case the division of local government, after consideration of the public awareness of the question, the public support therefor, and the public objection thereto, refuses or fails within ten days after submission to it of an adopted budget to grant an increased levy to a special district pursuant to subsection (1) or (1.5) of this section, the question may be submitted to the qualified electors of said district at a general or special election called for the purpose and in the manner provided by law for calling special elections in such special district.

(b) Any taxing entity to which section 29-1-301 (1) applies may, at its discretion, submit the question of an increased levy directly to an election of the qualified electors without first submitting the question of an increased levy to the division of local government.

(c) In lieu of utilizing the provisions of section 29-1-303, any city or town having a population of two thousand or less, based upon the latest estimates of the department of local affairs, may utilize the provisions of subsections (1) and (1.5) of this section and paragraph (a) of this subsection (2).

(3) Due notice of submission of the question of whether to grant the increased levy shall be given as required by articles 1 to 13 of title 1, C.R.S. If a majority of the votes cast at any such election is in favor of the increased levy, then the officers charged with levying taxes may make such increased levy for the year or years voted upon.

(4) to (6) Repealed.

**29-1-303. Revenue-raising limitation exemption - public disclosure of tax levy. (Repealed)**

**29-1-304. Funding for state-mandated programs. (Repealed)**

**29-1-304.5. State mandates - prohibition - exception. (1)** No new state mandate or an

increase in the level of service for an existing state mandate beyond the existing level of service required by law shall be mandated by the general assembly or any state agency on any local government unless the state provides additional moneys to reimburse such local government for the costs of such new state mandate or such increased level of service. In the event that such additional moneys for reimbursement are not provided, such mandate or increased level of service for an existing state mandate shall be optional on the part of the local government.

(2) The provisions of subsection (1) of this section shall not apply to:

(a) Any new state mandate or any increase in the level of service for an existing state mandate beyond the existing level of service which is the result of any requirement of federal law;

(b) Any new state mandate or any increase in the level of service for an existing state mandate beyond the existing level of service which is the result of any requirement of a final state or federal court order;

(c) Any modification in the share of school districts for financing the state public school system;

(d) Any new state mandate or any increase in the level of service for an existing state mandate beyond the existing level or service which is the result of any state law enacted prior to the second regular session of the fifty-eighth general assembly or any rule or regulation promulgated thereunder; and

(e) Any new state mandate or any increase in the level of service for an existing state mandate beyond the existing level of service which is undertaken at the option of a local government which results in additional requirements or standards.

(3) For purposes of this section:

(a) "Increase in the level of service for an existing state mandate" does not include any increase in expenditures necessary to offset an increase in costs to provide such service due to inflation or any increase in the number of recipients of such service unless such increase results from any requirement of law which either enlarges an existing class of recipients or adds a new class of recipients.

(b) "Local government" means any county, city and county, city, or town, whether home rule or statutory, or any school district, special district, authority, or other political subdivision of the state.

(c) "Requirement of federal law" means any federal law, rule, regulation, executive order, guideline, standard, or other federal action which has the force and effect of law and which either requires the state to take action or does not directly require the state to take action but will, according to federal law, result in the loss of federal funds if state action is not taken to comply with such federal action.



(d) "State mandate" means any legal requirement established by statutory provision or administrative rule or regulation which requires any local government to undertake a specific activity or to provide a specific service which satisfies minimum state standards, including, but not limited to:

(I) Program mandates which result from orders or conditions specified by the state as to what activity shall be performed, the quality of the program, or the quantity of services to be provided; and

(II) Procedural mandates which regulate and direct the behavior of any local government in providing programs or services, including, but not limited to, reporting, fiscal, personnel, planning and evaluation, record-keeping, and performance requirements.

**29-1-304.7. Programs delegated by the general assembly - termination or reduction - requirements.** (1) Any local government which, pursuant to section 20 (9) of article X of the state constitution, intends to reduce or terminate its subsidy to any program delegated to such local government by the general assembly for administration shall provide written notice of such intention to the governor, the president of the senate, the speaker of the house of representatives, the chairman of the joint budget committee of the general assembly, and the head of any state department or agency affected.

(2) The notice required by this section shall contain information sufficient to identify the program and shall state whether the local government intends to reduce or terminate its subsidy to the program. If a reduction is intended, the notice shall also specify the amount of such reduction.

(3) The notice may specify an effective date for such reduction or termination; except that in no event shall the reduction or termination take effect prior to ninety days after receipt of the notice by all of the parties named in subsection (1) of this section.

(4) Any reduction or termination for which notice is given pursuant to this section shall take place over a three-year period in three equal annual amounts.

(5) The director of the division of local government of the department of local affairs is authorized and empowered, after consultation with the affected departments or agencies, if any, to promulgate, adopt, amend, and repeal such rules and regulations, as may be necessary for the implementation and administration of this section.

**29-1-304.8. Programs not delegated by the general assembly.** (1) A local district, within the meaning of section 20 (2) of article X of the state constitution, shall not reduce or end its subsidy pursuant to section 20 (9) of said article to any program if:

(a) The program is one of the inherent powers, duties, or functions of an officer whose office is created as a county office by the state constitution, including but not limited to the county clerk and recorder, the county sheriff, the county coroner, the county treasurer, the county surveyor, the county assessor, and the county attorney; or



(b) The program is required by the state constitution to be administered by the local district, including but not limited to duties related to the maintenance of the state court system and the equalization of property tax assessments.

(2) Nothing in the general assembly's enactment of a requirement that a local district contribute toward the funding of a program operated by an agency or officer which is not under the jurisdiction of that local district, including but not limited to the requirement that counties pay a portion of the costs of maintaining the office of the district attorney, shall imply that the general assembly has delegated the program to the local district for administration within the meaning of section 20 (9) of article X of the state constitution.

(3) A board of county commissioners shall not cease exercising or performing its inherent legislative, executive, or quasi-judicial powers, duties, or functions in the guise of reducing or ending its subsidy to a program pursuant to the provisions of section 20 (9) of article X of the state constitution.

(4) As used in this section:

(a) "Administration" means the executive management or superintendence of public affairs, as distinguished from policy-making.

(b) "Inherent" means in the essential character of or belonging by nature or settled habit to.

## **PART 5 LOCAL GOVERNMENT UNIFORM ACCOUNTING LAW**

**29-1-501. Short title.** This part 5 shall be known and may be cited as the "Colorado Local Government Uniform Accounting Law".

**29-1-502. Definitions. As used in this part 5, unless the context otherwise requires:**

(1) "Auditor" means the state auditor.

(2) "Local government" means any authority, county, municipality, city and county, district, or other political subdivision of the state of Colorado, any institution, department, agency, or authority of any of the foregoing, including any county or municipal housing authority; and any other entity, organization, or corporation formed by intergovernmental agreement or other contract between or among any of the foregoing. Effective January 1, 1990, the office of the county public trustee shall be deemed an agency of the county for the purposes of this part 5. "Local government" does not include the fire and police pension association, any public entity insurance pool formed pursuant to state law, the university of Colorado hospital authority created in section 23-21-503, C.R.S., or any association of political subdivisions formed pursuant to section 29-1-401.

**29-1-503. Appointment of advisory committee - powers and duties - sunset review.** (1) The governor, with the advice and consent of the senate, shall appoint an advisory committee on governmental accounting to assist the auditor in formulating and prescribing a classification of accounts which shall consist of six members, one of whom shall be a member of

the Colorado society of certified public accountants and the remaining five of whom shall be active in finance matters either as elected officials or finance officers employed by a unit of local government as defined in section 29-1-502 and each of whom shall represent one of the following levels of local government: Counties, cities and counties, cities and towns, school districts and junior college districts, and local improvement or special service districts and other local entities having authority under the general laws of this state to levy taxes or impose assessments.

(2) Prior to June 15, 1987, the terms of the members shall be six years, except for initial appointments when two members shall be appointed for terms of two years, two members shall be appointed for terms of four years, and two members shall be appointed for terms of six years. Persons holding office on June 15, 1987, are subject to the provisions of section 24-1-137, C.R.S. Thereafter, members shall be appointed for terms of four years each.

(3) The state auditor and the controller shall be ex officio nonvoting members of the advisory committee on governmental accounting; except that the state auditor shall act as chairman of the committee and shall cast a vote only in the case of a tie.

(4) Any decision shall be adopted only upon the majority vote of the members present.

(5) (Deleted by amendment, L. 93, p. 674, § 10, effective May 1, 1993.)

**29-1-504. Auditor - powers and duties.** (1) The auditor shall formulate, prescribe, and publish a classification of accounts with the approval of the advisory committee on governmental accounting which shall be uniform for every level of local government as defined in section 29-1-502; except that each level of government may be classified according to population, and, in that event, each classification of accounts shall be uniform within each class; and except that the classification of accounts prescribed for the purpose of public schools shall be subject to the approval of the state board of education; and further except that the classification of accounts prescribed for the purpose of junior college districts shall be subject to the approval of the state board for community colleges and occupational education.

(2) Upon completion of the classification of accounts for each level of government, the auditor shall distribute the published copies of the classification of accounts promulgated by his office to each unit of local government defined in section 29-1-502 and may distribute such copies to other interested parties. Any amendments or alterations to the original published copies shall also be distributed to each unit of local government in the same manner.

(3) Upon request of the local government officials, the auditor shall assist local government officials in implementing the classification of accounts promulgated under the provisions of this section. Any travel and subsistence expense incurred by the auditor in performing such requests shall be paid by the local government.

(4) In accordance with the provisions of subsection (1) of this section, the auditor shall formulate classifications of inventory accounts for local governments; such accounts shall be required to be kept only with respect to items of property having an original cost that equals or exceeds an amount established by the governing body of each local government, unless such items

having a value of less than the amount established by such governing body are required to be inventoried by directive of the state auditor. In no event shall the amount established by the governing body of any local government pursuant to this subsection (4) exceed the amount specified in rules promulgated by the state controller pursuant to section 24-30-202, C.R.S., regarding inventory accounts for items of state property.

**29-1-505. Annual compendium.** (1) Upon completion of the first calendar year following the completion of the classification of accounts and at the close of each calendar year thereafter, the division of local government in the department of local affairs shall publish or cause to be published an annual compendium of local government as derived from the annual audit reports filed under the provisions of the Colorado local government audit law and shall include audit reports for any fiscal years ending within the calendar year. The compendium shall be arranged by the type of local government and by classes within each type as required by the classification of accounts promulgated under section 29-1-504; but, if an annual compendium of any type of local government is published by any state agency, such compendium may be accepted by the division of local government as a part of the annual compendium set out in this section.

(2) The division, with the approval of the executive director of the department of local affairs, may include such other information as may be deemed important for use by local government officials to promote and encourage sound fiscal management.

**29-1-506. Continuing inventory.** (1) The governing body of each local government shall make or cause to be made an annual inventory of property, both real and personal, belonging to such political subdivision; except that an inventory shall be required only with respect to items of property having an original cost that equals or exceeds an amount established by the governing body of each local government, unless such items having a value of less than the amount established by such governing body are required to be inventoried by directive of the state auditor. In no event shall the amount established by the governing body of any local government pursuant to this subsection (1) exceed the amount specified in rules promulgated by the state controller pursuant to section 24-30-202, C.R.S., regarding inventory accounts for items of state property.

(2) Repealed.

## **PART 6 LOCAL GOVERNMENT AUDIT LAW**

**29-1-601. Short title.** This part 6 shall be known and may be cited as the "Colorado Local Government Audit Law".

**29-1-602. Definitions.** As used in this part 6, unless the context otherwise requires:

(1) "All funds and activities" means all financial activities of the reporting local government as those activities are defined by generally accepted accounting principles for governments.

(2) "Auditor" means a certified public accountant licensed to practice in Colorado as an



individual, partnership, or professional corporation pursuant to article 2 of title 12, C.R.S., who makes an audit and prepares a report thereon as provided in this part 6.

(3) "Financial statement" means a report made by a local government summarizing the results of all funds and activities of the local government for a particular period, the duration of that period to be determined by the local government.

(4) "Fiscal year" means the period commencing January 1 and ending December 31; except that, for school districts and junior college districts, "fiscal year" means the period commencing July 1 and ending June 30, and "fiscal year" may mean the federal fiscal year for water conservancy districts which have contracts with the federal government.

(5) (a) "Local government" means any authority, county, municipality, city and county, district, or other political subdivision of the state of Colorado; any institution, department, agency, or authority of any of the foregoing; and any other entity, organization, or corporation formed by intergovernmental agreement or other contract between or among any of the foregoing. Effective January 1, 1990, the office of the county public trustee shall be deemed an agency of the county for the purposes of this part 6.

(b) Except for purposes of section 29-1-603 (4), "local government" does not include the fire and police pension association, any county or municipal housing authority, any public entity insurance pool formed pursuant to state law, the Colorado sheep and wool authority, the Colorado beef council authority, the Colorado horse development authority, or any association of political subdivisions formed pursuant to section 29-1-401.

**29-1-603. Audits required.** (1) The governing body of each local government in the state shall cause to be made an annual audit of the financial statements of the local government for each fiscal year. To the extent that the financial activities of any local government, or of any other entity, organization, or corporation formed by intergovernmental agreement or other contract between or among local governments, are fully reported in the audit or audits of a parent local government or governments, a separate audit is not required. Such audit shall be made as of the end of the fiscal year of the local government, or, at the option of the governing body, audits may be made at more frequent intervals. As part of the audit of a school district, the auditor shall ensure that the school district is complying with the provisions of section 22-44-204 (3), C.R.S., concerning the use of the financial policies and procedures handbook adopted by the state board of education. The audit report shall contain a fiscal year report of receipts and expenditures of each fund with designated program reports in accordance with the financial policies and procedures handbook. The supplemental schedules of receipts and expenditures for each fund shall be in the format prescribed by the state board of education and shall be in agreement with the audited financial statements of the school district. The department of education shall provide assistance to auditors and school districts in implementing and following these requirements.

(2) The audits of each local government shall be conducted in accordance with generally accepted auditing standards by an auditor, as defined in section 29-1-602, but in no event shall any auditor audit the records, books, or accounts which he has maintained.

(3) The expenses of audits required by this part 6, whether ordered by the local government



or the state auditor, shall be paid by the local government for which the audit is made. It is the duty of the governing body of the local government to make provision for payment of said expenses.

(4) The entities listed in section 29-1-602 (5) (b) shall annually have an audit made by a certified public accountant and shall file a copy of the audit report made pursuant to such audit with the state auditor no later than thirty days after the report is received by such entity.

(5) For the audit for the 1994-95 budget year and budget years thereafter, the audit report of each school district shall include a calculation of the school district's fiscal year spending under section 20 of article X of the state constitution; except that, if a school district has received voter approval to retain revenues in excess of its spending limits under said section 20 (7), the school district shall include a calculation of its fiscal year spending for the first fiscal year following said voter approval but need not include such calculation for fiscal years thereafter.

**29-1-604. Exemptions.** (1) Any local government where neither revenues nor expenditures exceed one hundred thousand dollars in any fiscal year commencing on or after January 1, 1998, may, with the approval of the state auditor, be exempt from the provisions of section 29-1-603.

(2) Any local government where revenues or expenditures for any fiscal year commencing on or after January 1, 1998, are at least one hundred thousand dollars but not more than three hundred thousand dollars may, with the approval of the state auditor, be exempt from the provisions of section 29-1-603.

(3) The governing body of any local government wishing to claim exemption from the audit requirements pursuant to subsection (1) or (2) of this section shall file an application for exemption from audit. Any application filed pursuant to subsection (1) of this section shall be prepared by a person skilled in governmental accounting. Any application filed pursuant to subsection (2) of this section shall be prepared by an independent accountant with knowledge of governmental accounting. Any application filed pursuant to this subsection (3) shall be completed in accordance with regulations issued by the state auditor and shall be personally reviewed, approved, and signed by a majority of the members of the governing body. The application is to be filed with the state auditor within three months after the close of the local government's fiscal year. No exemption shall be granted prior to the close of said fiscal year. Failure to file such application shall cause the local government to lose its exemption from the provisions of section 29-1-603 for that fiscal year and the ensuing fiscal year.

**29-1-605. Contents of report.** (1) All reports on audits of local governments shall contain at least the following:

(a) Financial statements which shall be prepared, insofar as possible, in conformity with generally accepted governmental accounting principles setting forth the financial position and results of operation of each fund and activity of the local government and a comparison of actual figures with budgeted figures for each fund or activity for which a budget has been prepared, which financial statements shall be the representations of the local government;

(b) The unqualified opinion of the auditor with respect to the financial statements of the local government or, if an unqualified opinion cannot be expressed, a qualified opinion or disclaimer

of opinion containing an explanation of the reasons therefor;

(c) Full disclosure by the auditor of violations of state or local law which come to his attention.

**29-1-606. Submission of reports.** (1) (a) Except as otherwise required in paragraph (b) of this subsection (1), each audit required by this part 6 shall be completed and the audit report thereon submitted by the auditor to the local government within six months after the close of the fiscal year of the local government.

(b) The audit required by this part 6 for school districts shall be completed and the audit report thereon submitted by the auditor to the school district within five months after the close of the fiscal year of the school district.

(2) One copy of the audit report shall be maintained by the local government as a public record for public inspection at all reasonable times at the principal office of the local government.

(3) The local government shall forward a copy of the audit report to the state auditor within thirty days after receipt of said audit. The state auditor shall retain such copy in his office as a public record where it shall be available for public inspection at all reasonable times. In the case of a school district, a copy of the audit report shall also be submitted to the commissioner of education within thirty days after the audit report is received.

(4) If within one month after the time period provided in subsection (1) of this section the local government is unable to file an audit report with the state auditor, the governing body of the local government shall submit to the state auditor a written request for extension of time to file. Such request for extension shall be submitted no later than one month after the time period provided in subsection (1) of this section. The state auditor may authorize an extension of such time for not more than sixty days.

(5) (a) If the audit report of a local government is not filed with the state auditor within two months after the time period provided in subsection (1) of this section and the local government has not been granted an extension or exemption from the filing requirement, the state auditor shall make written notice to the local government of its delinquent status.

(b) If the audit report of a local government is not filed with the state auditor within three months after the time period provided in subsection (1) of this section, the state auditor shall either:

(I) Notify any county treasurer holding moneys of the local government which were generated pursuant to the taxing authority of such local government of the delinquent audit status of such local government and authorize such county treasurer to prohibit the release of any such moneys until the local government submits an audit report to the state auditor; or

(II) Make or cause such audit to be made at the expense of the local government. The local government shall reimburse the state auditor for all amounts advanced for the making of such audit, including any legal and court costs incurred in the making of such audit.

(6) Repealed.

**29-1-607. Duties of state auditor.** (1) The state auditor shall examine all reports submitted to him to determine whether the provisions of this part 6 have been complied with. If the state auditor finds that they have not been complied with, he shall notify the governing body of the local government and the auditor who submitted said audit report by submitting to them a statement of deficiencies. If the deficiencies are not corrected within ninety days from the date of the statement of deficiencies or within twelve months after the end of the fiscal year of the local government, whichever is later, the state auditor shall proceed in the same manner as provided in section 29-1-606 (5) as though no report had been filed.

(2) If the state auditor, in examining any audit report, finds an indication of violation of state law, he shall, after making such investigation as he deems necessary, consult with the attorney general, and if after such investigation and consultation he has reason to believe that there has been a violation of state law on the part of any person, he shall certify the facts to the district attorney of the judicial district in which the alleged violation occurred who shall cause appropriate proceedings to be brought.

(3) The auditor shall formulate classifications of inventory accounts for local governments, which accounts shall be required to be kept only with respect to items of property having an original cost that equals or exceeds an amount established by the governing body of each local government, unless such items having a value of less than the amount established by such governing body are required to be inventoried by directive of the state auditor. In no event shall the amount established by the governing body of any local government pursuant to this subsection (3) exceed the amount specified in rules promulgated by the state controller pursuant to section 24-30-202, C.R.S., regarding inventory accounts for items of state property.

**29-1-608. Violations - penalties.** (1) If it appears that an auditor has knowingly issued an audit report under the provisions of this part 6 containing any false or misleading statement, the state auditor shall report the matter in writing to the state board of accountancy and to the local government.

(2) Any member of the governing body of the local government or any member, officer, employee, or agent of any department, board, commission, or other agency who knowingly and willfully fails to perform any of the duties imposed upon him by this part 6, or who knowingly and willfully violates any of the provisions of this part 6, or who knowingly and willfully furnishes to the auditor or his employee any false or fraudulent information is guilty of malfeasance and, upon conviction thereof, the court shall enter judgment that such person be removed from office or employment. It is the duty of the court rendering such judgment to cause immediate notice of such removal from office or employment to be given to the proper officer of the local government so that the vacancy thus caused may be filled.

## **PART 9 LOCAL GOVERNMENT-FINANCED ENTITY**

**29-1-901. Definitions.** As used in this part 9, unless the context otherwise requires:

(1) "Local government-financed entity" means any organization, group, or entity other than a political subdivision that:

(a) Is composed of members that are political subdivisions or who are officials or employees



of political subdivisions; and

(b) Derives any of its annual operating budget from dues, contributions, or other payments received from political subdivisions.

(2) "Political subdivision" means a county, city and county, city, town, service authority, school district, local improvement district, law enforcement authority, water, sanitation, fire protection, metropolitan, irrigation, drainage, or other special district, or any other kind of municipal, quasi-municipal, or public corporation organized pursuant to law.

**29-1-902. Local government-financed entity - records - public inspection.** (1) A local government-financed entity shall make the following information available for public inspection and copying during regular business hours:

(a) A list of the members of the entity;

(b) The annual operating budget of the entity that is government financed;

(c) The compensation paid to officers and employees of and to any other person performing services for the entity, including expense allowances and benefits;

(d) The name of any person lobbying, as defined in section 24-6-301 (3.5), C.R.S., on behalf of the entity and the total amount expended by the entity for lobbying over the previous twelve months;

(e) The most recent disclosure statement filed by the entity or by any person lobbying on behalf of the entity pursuant to section 24-6-302, C.R.S.

## **PART 10 LIMITATIONS ON SOURCES OF REVENUE**

**29-1-1001. Moratorium on taxes, fees, and charges - internet and on-line services.** (1)

(a) From May 1, 1998, to and including April 30, 2001, there shall be a temporary moratorium during which no statutory or home rule city and county, county, city, or town, nor any political subdivision of the state, including, without limitation, a special purpose authority, special district, or school district, shall impose, assess, or collect any tax, fee, or charge, however designated, upon the direct charges for provision of internet access services.

(b) Paragraph (a) of this subsection (1) shall not apply to taxes on internet access services actually collected and enforced by a home rule city on or before April 15, 1998.

(c) Paragraph (a) of this subsection (1) shall not apply to any franchise fee on interactive computer services delivered via a cable television system unless the federal communications commission or a court of competent jurisdiction determines that such services are not cable services within the meaning of 47 U.S.C. sec. 522 (6)

(1.5)(a) On and after April 30, 2001, no statutory or home rule city and county, county, city,



or town, or any political subdivision of the state, including, without limitation, a special purpose authority, special district, or school district, shall impose, assess, or collect any tax, fee, or charge, however designated, upon the direct charges for provision of internet access services, whether offered separately or as part of a package or bundle of services.

(b) Paragraph (a) of this subsection (1.5) shall not apply to taxes on internet access services actually collected and enforced by home rule city on or before April 15, 1998.

(c) paragraph (a) of this subsection (1.5) shall not apply to any franchise fee on interactive computer services delivered via a cable television system unless the federal communications commission or a court of competent jurisdiction determines that such services are not cable services within the meaning of 47 U.S.C. sec. 522(6).

(2) From May 1, 1998, to and including April 30, 2001, there shall be a temporary moratorium during which no provider of internet access services shall be required to collect sales or use taxes from persons who purchase taxable property or services through use of the internet unless such provider acts as a vendor of taxable property or services.

(2.5) On and after April 30, 2001, no provider of internet access services shall be required to collect sales or use taxes from persons who purchase taxable property or services through use of the internet unless such provider acts as a vendor of taxable property or services.

(3) As used in this section:

(a) "Internet" means the international computer network consisting of federal and nonfederal, interoperable, packet-controlled, switched data networks.

(b) "Internet access services" means services that provide or enable computer access by multiple users to the internet, but shall not include that portion of packaged or bundled services providing phone or television cable services when the package or bundle includes the sale of internet access services.

(4) (a) The general assembly hereby finds, determines, and declares that:

(I) Access to the internet insures access to information and government services, therefore, it is crucial that all people living in Colorado have equal access to the internet regardless of economic standing, educational background, or location. It is in the state's interest to ensure that local governments do not impose taxes on internet access, as such local taxation would inhibit equal access to the internet and the accessibility of on-line services for the people living in any local jurisdiction that imposes an internet access tax.

(II) Any tax on internet access imposed by a local government would present unique administrative challenges for the internet service providers required to collect that tax. Such issues include, but are not limited to, tracking which local governments impose a tax, ascertaining the location of every customer, and determining the customers from which a tax must be collected. These logistical concerns may result in an internet service provider refusing to offer service to customers living in local jurisdictions that impose a tax on internet access, thus reducing competition

and disenfranchising certain localities from affordable on-line services.

(III) The promotion of economic development is of the utmost importance for Colorado. To foster the state's economic growth, Colorado strives to become a center for electronic commerce and taxing internet access on the state or local level would impede that goal.

(b) The general assembly further finds, determines, and declares that the imposition, assessment, or collection of any tax, fee, or charge, however designated, upon the direct charges for the provision of internet access service is a matter of statewide concern and the provisions of this section shall preempt any provisions of any local government ordinance, resolution, regulation, or other restriction to the contrary.

**29-1-1002. Mobile telecommunications services - taxation by local governments - remedies.** (1) As used in this section, unless the context otherwise requires:

(a) "Act" means the federal "Mobile Telecommunications Sourcing Act", 4 U.S.C. secs. 116 to 126, as amended.

(b) "Customer" means customer as defined in section 124 (2) of the act.

(c) "Home service provider" means home service provider as defined in section 124(5) of the act.

(d) "Local government" means any statutory or home rule city and county, county, city or town, and any political subdivision of the state, including, without limitation, any authority, special district, or school district.

(e) "Mobile telecommunications service" means mobile telecommunications service as defined in section 124(7) of the act.

(f) "Place of primary use" means the place of primary use as defined in section 124(8) of the act.

(g) "Taxing jurisdiction" means taxing jurisdiction as defined in section 124(12) of the act.

(2)(a) On and after August 1, 2002, any local government that imposes a sales tax pursuant to section 36-26-104 (1) (c), C.R.S., on a mobile telecommunications service shall impose such tax in accordance with the provisions of the act.

(b) Pursuant to section 117(b) of the act, mobile telecommunications service taxable by a local government on or after August 1, 2002, may be subject to any sales tax or other charge imposed by said local government on the service only if the customer's place of primary use is within the geographical boundaries of the local government.

(3)(a) If a customer believes that a tax, charge, or fee assessed by a local government in the customer's bill for a mobile telecommunications service is erroneous, or that an assignment of place of primary use or taxing jurisdiction on said bill is incorrect, the customer shall notify the home

service provider in writing within two years after the date the bill was issued. The notification from the customer shall include the street address for the customer's place of primary use, the account name and number for which the customer seeks a correction, a description of the alleged error, and any other information that the home service provider may require.

(b) No later than sixty days after receipt of notice from a customer pursuant to paragraph (a) of this subsection (3), the home service provider shall review the information submitted by the customer and any other relevant information and documentation to determine whether an error was made. If the home service provider determines that an error was made, the home service provider shall refund or credit to the customer any tax, fee, or charge erroneously collected from the customer for a period not to exceed two years. If the home service provider determines that no error was made, the home service provider shall provide a written explanations of its determination to the customer.

(c) Any customer that believes a tax, charge, or fee assessed by a local government in the customer's bill for mobile telecommunications services is erroneous, or that an assignment of place of primary use or taxing jurisdiction on said bill is incorrect may file a claim in the appropriate district court only after complying with the provisions of this subsection (3).

**TITLE 30  
GOVERNMENT - COUNTY**

**ARTICLE 10  
County Officers**

**PART 7  
TREASURER**

**30-10-709. Treasurer to keep accounts - settlement of accounts - resolution of findings - report to board of county commissioners - contempt.** (1) The county treasurer shall keep a just and true account of the receipt and expenditure of all moneys that come into his or her hands by virtue of the office, in books to be kept by the treasurer for that purpose, which books shall be open at all times for the inspection of the board of county commissioners, or any member thereof, and to all county and state officers; and, at the meetings in July and January of the board of county commissioners, or at such other time as the board may direct, the treasurer shall settle with said board his or her account as treasurer, and, for that purpose, the treasurer shall exhibit to said board all his or her books, accounts, and all vouchers relating to the same, to be audited and allowed.

(2) In addition to the audit described in subsection (1) of this section, the treasurer may periodically cause to be performed an audit of the operations and accounts of the county treasurer's office.

(3) If a recommendation or finding is contained in the final report of any audit conducted pursuant to subsection (1) or (2) of this section or section 29-1-603 , C.R.S., the treasurer shall promptly address the recommendation or finding and shall report to the board of county commissioners regarding the disposition of the recommendation or finding no later than ninety days after the issuance of the final audit report. If a treasurer fails to address a recommendation or finding or fails to report to the board as required by this subsection (3), the board may apply to a court of competent jurisdiction for an order compelling the treasurer to comply with the provisions of this subsection (3). If the court issues an order compelling the treasurer to comply with the provisions of this subsection (3) and the treasurer fails to comply, the treasurer shall be subject to penalties for contempt of the court issuing the order. Nothing in this subsection (3) shall be construed to limit the ability of the board or any other person to pursue any other legal remedy available to the board or person with regard to the actions of the treasurer.

**30-10-726. Failure of treasurer to perform duties - penalty.** Every county treasurer who fails, neglects, or refuses to perform the duties of the office of the treasurer set forth in this part 7 is guilty of a misdemeanor and, upon conviction thereof, shall be punished by a fine of not less than fifty dollars nor more than five hundred dollars, and the court may adjudge that such treasurer be removed from office. This section shall extend to the deputies of every such county treasurer.



# TABOR and TABOR-Related Statutes

## STATE CONSTITUTION ARTICLE X - REVENUE

### SECTION 20 Taxpayer's Bill of Rights

**Section 20. The Taxpayer's Bill of Rights. (1) General provisions.** This section takes effect December 31, 1992 or as stated. Its preferred interpretation shall reasonably restrain most the growth of government. All provisions are self-executing and severable and supersede conflicting state constitutional, state statutory, charter, or other state or local provisions. Other limits on district revenue, spending, and debt may be weakened only by future voter approval. Individual or class action enforcement suits may be filed and shall have the highest civil priority of resolution. Successful plaintiffs are allowed costs and reasonable attorney fees, but a district is not unless a suit against it be ruled frivolous. Revenue collected, kept, or spent illegally since four full fiscal years before a suit is filed shall be refunded with 10% annual simple interest from the initial conduct. Subject to judicial review, districts may use any reasonable method for refunds under this section, including temporary tax credits or rate reductions. Refunds need not be proportional when prior payments are impractical to identify or return. When annual district revenue is less than annual payments on general obligation bonds, pensions, and final court judgments, (4) (a) and (7) shall be suspended to provide for the deficiency.

**(2) Term definitions.** Within this section: (a) "Ballot issue" means a non-recall petition or referred measure in an election.

(b) "District" means the state or any local government, excluding enterprises.

(c) "Emergency" excludes economic conditions, revenue shortfalls, or district salary or fringe benefit increases.

(d) "Enterprise" means a government-owned business authorized to issue its own revenue bonds and receiving under 10% of annual revenue in grants from all Colorado state and local governments combined.

(e) "Fiscal year spending" means all district expenditures and reserve increases except, as to both, those for refunds made in the current or next fiscal year or those from gifts, federal funds, collections for another government, pension contributions by employees and pension fund earnings, reserve transfers or expenditures, damage awards, or property sales.

(f) "Inflation" means the percentage change in the United States Bureau of Labor Statistics Consumer Price Index for Denver-Boulder, all items, all urban consumers, or its successor index.

(g) "Local growth" for a non-school district means a net percentage change in actual value of all real property in a district from construction of taxable real property improvements, minus destruction of similar improvements, and additions to, minus deletions from, taxable real property. For a school district, it means the percentage change in its student enrollment.

**(3) Election provisions.** (a) Ballot issues shall be decided in a state general election, biennial local district election, or on the first Tuesday in November of odd-numbered years. Except

for petitions, bonded debt, or charter or constitutional provisions, districts may consolidate ballot issues and voters may approve a delay of up to four years in voting on ballot issues. District actions taken during such a delay shall not extend beyond that period.

(b) At least 30 days before a ballot issue election, districts shall mail at the least cost, and as a package where districts with ballot issues overlap, a titled notice or set of notices addressed to "All Registered Voters" at each address of one or more active registered electors. The districts may coordinate the mailing required by this paragraph (b) with the distribution of the ballot information booklet required by section 1 (7.5) of article V of this constitution in order to save mailing costs. Titles shall have this order of preference: **"NOTICE OF ELECTION TO INCREASE TAXES/TO INCREASE DEBT/ON A CITIZEN PETITION/ON A REFERRED MEASURE."** Except for district voter-approved additions, notices shall include only:

(i) The election date, hours, ballot title, text, and local election office address and telephone number.

(ii) For proposed district tax or bonded debt increases, the estimated or actual total of district fiscal year spending for the current year and each of the past four years, and the overall percentage and dollar change.

(iii) For the first full fiscal year of each proposed district tax increase, district estimates of the maximum dollar amount of each increase and of district fiscal year spending without the increase.

(iv) For proposed district bonded debt, its principal amount and maximum annual and total district repayment cost, and the principal balance of total current district bonded debt and its maximum annual and remaining total district repayment cost.

(v) Two summaries, up to 500 words each, one for and one against the proposal, of written comments filed with the election officer by 45 days before the election. No summary shall mention names of persons or private groups, nor any endorsements of or resolutions against the proposal. Petition representatives following these rules shall write this summary for their petition. The election officer shall maintain and accurately summarize all other relevant written comments. The provisions of this subparagraph (v) do not apply to a statewide ballot issue, which is subject to the provisions of section 1 (7.5) of article V of this constitution.

(c) Except by later voter approval, if a tax increase or fiscal year spending exceeds any estimate in (b) (iii) for the same fiscal year, the tax increase is thereafter reduced up to 100% in proportion to the combined dollar excess, and the combined excess revenue refunded in the next fiscal year. District bonded debt shall not issue on terms that could exceed its share of its maximum repayment costs in (b) (iv). Ballot titles for tax or bonded debt increases shall begin, **"SHALL (DISTRICT) TAXES BE INCREASED (first, or if phased in, final, full fiscal year dollar increase) ANNUALLY...?"** or **"SHALL (DISTRICT) DEBT BE INCREASED (principal amount), WITH A REPAYMENT COST OF (maximum total district cost), ...?"**

**(4) Required elections.** Starting November 4, 1992, districts must have voter approval in advance for: (a) Unless (1) or (6) applies, any new tax, tax rate increase, mill levy above that for the prior year, valuation for assessment ratio increase for a property class, or extension of an expiring

tax, or a tax policy change directly causing a net tax revenue gain to any district.

(b) Except for refinancing district bonded debt at a lower interest rate or adding new employees to existing district pension plans, creation of any multiple-fiscal year direct or indirect district debt or other financial obligation whatsoever without adequate present cash reserves pledged irrevocably and held for payments in all future fiscal years.

**(5) Emergency reserves.** To use for declared emergencies only, each district shall reserve for 1993 1% or more, for 1994 2% or more, and for all later years 3% or more of its fiscal year spending excluding bonded debt service. Unused reserves apply to the next year's reserve.

**(6) Emergency taxes.** This subsection grants no new taxing power. Emergency property taxes are prohibited. Emergency tax revenue is excluded for purposes of (3) (c) and (7), even if later ratified by voters. Emergency taxes shall also meet all of the following conditions: (a) A 2/3 majority of the members of each house of the general assembly or of a local district board declares the emergency and imposes the tax by separate recorded roll call votes.

(b) Emergency tax revenue shall be spent only after emergency reserves are depleted, and shall be refunded within 180 days after the emergency ends if not spent on the emergency.

(c) A tax not approved on the next election date 60 days or more after the declaration shall end with that election month.

**(7) Spending limits.** (a) The maximum annual percentage change in state fiscal year spending equals inflation plus the percentage change in state population in the prior calendar year, adjusted for revenue changes approved by voters after 1991. Population shall be determined by annual federal census estimates and such number shall be adjusted every decade to match the federal census.

(b) The maximum annual percentage change in each local district's fiscal year spending equals inflation in the prior calendar year plus annual local growth, adjusted for revenue changes approved by voters after 1991 and (8) (b) and (9) reductions.

(c) The maximum annual percentage change in each district's property tax revenue equals inflation in the prior calendar year plus annual local growth, adjusted for property tax revenue changes approved by voters after 1991 and (8) (b) and (9) reductions.

(d) If revenue from sources not excluded from fiscal year spending exceeds these limits in dollars for that fiscal year, the excess shall be refunded in the next fiscal year unless voters approve a revenue change as an offset. Initial district bases are current fiscal year spending and 1991 property tax collected in 1992. Qualification or disqualification as an enterprise shall change district bases and future year limits. Future creation of district bonded debt shall increase, and retiring or refinancing district bonded debt shall lower, fiscal year spending and property tax revenue by the annual debt service so funded. Debt service changes, reductions, (1) and (3) (c) refunds, and voter-approved revenue changes are dollar amounts that are exceptions to, and not part of, any district base. Voter-approved revenue changes do not require a tax rate change.

**(8) Revenue limits.** (a) New or increased transfer tax rates on real property are prohibited.



No new state real property tax or local district income tax shall be imposed. Neither an income tax rate increase nor a new state definition of taxable income shall apply before the next tax year. Any income tax law change after July 1, 1992 shall also require all taxable net income to be taxed at one rate, excluding refund tax credits or voter-approved tax credits, with no added tax or surcharge.

(b) Each district may enact cumulative uniform exemptions and credits to reduce or end business personal property taxes.

(c) Regardless of reassessment frequency, valuation notices shall be mailed annually and may be appealed annually, with no presumption in favor of any pending valuation. Past or future sales by a lender or government shall also be considered as comparable market sales and their sales prices kept as public records. Actual value shall be stated on all property tax bills and valuation notices and, for residential real property, determined solely by the market approach to appraisal.

**(9) State mandates.** Except for public education through grade 12 or as required of a local district by federal law, a local district may reduce or end its subsidy to any program delegated to it by the general assembly for administration. For current programs, the state may require 90 days notice and that the adjustment occur in a maximum of three equal annual installments.

Enacted by the People November 3, 1992 -- Section 1 of article V of this constitution provides that initiated measures shall take effect upon the Governor's proclamation. Subsection (1) of this section provides that this section shall take effect December 31, 1992, or as stated. (See subsection (4).) The Governor's proclamation was signed January 14, 1993. (For the text of this initiated measure, see L. 93, p. 2165.; section 20 (3)(b)(v) amended November 8, 1994 -- Effective upon proclamation of the Governor, January 19, 1995. (See L. 94, p. 2851.); the introductory portion to section 20 (3)(b) and (3)(b)(v) amended November 5, 1996 -- Effective upon proclamation of the Governor, December 26, 1996. (For the text of the amendment and the votes cast thereon, see Laws 1995, p. 1425, and Laws 1997, p. 2393.)

I. General Consideration.

II. Definitions.

III. Requirement of Advance Voter Approval.

IV. Spending and Revenue Limits.

V. State Mandates

## TABOR ANNOTATIONS

### I. GENERAL CONSIDERATION.

**Law reviews.** For article, "Amendment One: Government by Plebiscite", see 22 Colo. Law. 293 (1993). For article, "Use of the Nonprofit Supporting Foundation to Assist Governmental Districts After Amendment 1", see 22 Colo. Law. 685 (1993). For article, "Enterprises Under Article X, § 20 of the Colorado Constitution - Part I", see 27 Colo. Law. 55 (April 1998). For article, "Enterprises Under Article X, § 20 of the Colorado Constitution - Part II", see 27 Colo. Law. 65 (May 1998).

**Interpretation of a constitutional provision is a question of law** and an appellate court is not required to accord deference to a trial court's ruling in that regard. *Cervený v. City of Wheat Ridge*, 888 P.2d 339 (Colo. App. 1994), rev'd on other grounds, 913 P.2d 1110 (Colo. 1996).



**In interpreting a constitutional amendment that was adopted by popular vote,** courts must determine what the people believed the language of the amendment meant when they voted it into law. To do so, courts must give the language the natural and popular meaning usually understood by the voters. *Cervený v. City of Wheat Ridge*, 888 P.2d 339 (Colo. App. 1994), rev'd

on other grounds, 913 P.2d 1110 (Colo. 1996); *Havens v. Board of County Comm'rs*, 924 P.2d 517 (Colo. 1996).

**In interpreting a constitutional provision, the court should ascertain and give effect to the intent of those who adopted it.** In the case of this section, it is the court's responsibility to ensure that it gives effect to what the voters believed the amendment to mean when they accepted it as their fundamental law, considering the natural and popular meaning of the words used. *City of Wheat Ridge v. Cervený*, 913 P.2d 1110 (Colo. 1996).

**Where multiple interpretations of a provision of this section are equally supported by the text of that section,** a court should choose that interpretation which it concludes would create the greatest restraint on the growth of government; however, the proponent of an interpretation has the burden of establishing that its proposed construction of this section would reasonably restrain the growth of government more than any other competing interpretation. *Bickel v. City of Boulder*, 885 P.2d 215 (Colo. 1994); *Nicholl v. E-470 Public Hwy. Auth.*, 896 P.2d 859 (Colo. 1995).

**This section requires voter approval for certain state and local government tax increases** and restricts property, income, and other taxes. Submission of Interrogatories on Senate Bill 93-74, 852 P.2d 1 (Colo. 1993).

**And acts to limit the discretion of government officials to take certain actions pertaining to taxing, revenue, and spending in the absence of voter approval.** *Property Tax Adjustment Specialists, Inc. v. Mesa County Board of Comm'rs*, 956 P.2d 1277 (Colo. App. 1998).

**This section operates to impose a limitation on the power of the people's elected representatives,** and while this section circumscribes the revenue, spending, and debt powers of state and local governments, creating a series of procedural requirements, it does not create any fundamental rights. *Havens v. Board of County Comm'rs*, 924 P.2d 517 (Colo. 1996).

**Districts may seek present authorization for future tax rate increases** where such rate increases may be necessary to repay a specific, voter-approved debt. Any rate change ultimately implemented by a district pursuant to the "without limitation as to rate" clause in the ballot title must be consistent with the district's state estimate of the final fiscal year dollar amount of the increase. *Bickel v. City of Boulder*, 885 P.2d 215 (Colo. 1994).

**This section and article XXVII of the Colorado Constitution are not in irreconcilable, material, and direct conflict,** since this section does not authorize what article XXVII forbids or forbid what article XXVII authorizes. Submission of Interrogatories on Senate Bill 93-74, 852 P.2d 1 (Colo. 1993).

**Since the inclusion of all net lottery proceeds in the calculation of state fiscal year spending creates an implicit conflict between this section and article XXVII,** legislation exempting net lottery proceeds dedicated by article XXVII to great outdoors Colorado purposes from this section and subjecting such proceeds dedicated to the capital construction fund and the excess that spill over into the general fund to this section represented a reasonable resolution of that implicit conflict. Submission of Interrogatories on Senate Bill 93-74, 852 P.2d 1 (Colo. 1993).

**This section and § 9 of article XVIII of the Colorado Constitution are not in direct conflict.** Submission of Interrogatories on Senate Bill 93-74, 852 P.2d 1 (Colo. 1993).

**This section and § 3 of this article reconciled.** In order to reconcile the requirement of subsection (8)(c) of this section that residential property be valued "solely by the market approach to appraisal" with the equalization requirement of article X, § 3, the actual value of residential

property must be determined using means and methods applied impartially to all the members of each class. *Podoll v. Arapahoe County Bd. of Equaliz.*, 920 P.2d 861 (Colo. App. 1995), rev'd on other grounds, 935 P.2d 14 (Colo. 1997).

**Amendment relates back.** Although under art. V, § 1(4), this section took effect January 14, 1993, once effective, its terms could and did relate back to conduct occurring the day after the 1992 election. *Bolt v. Arapahoe County School Dist. No. 6*, 898 P.2d 525 (Colo. 1995).

**Dispute under election provisions reviewed under a "substantial compliance" standard.** *City of Aurora v. Acosta*, 892 P.2d 264 (Colo. 1995).

**Substantial compliance found.** District in mail ballot election found to have substantially complied with section when purposes of the ballot disclosure provisions are not undermined and all required information was in the election notices if not the ballot title. *City of Aurora v. Acosta*, 892 P.2d 264 (Colo. 1995).

**Voter approval of dollar amounts not required.** This section does not require voter approval of a dollar amount when the revenue change is not a district tax increase. *City of Aurora v. Acosta*, 892 P.2d 264 (Colo. 1995).

**Plaintiff had standing, as expressly provided under this section, to bring action as an individual taxpayer** to determine whether E-470 authority was subject to this section's regulation. *Nicholl v. E-470 Public Hwy. Auth.*, 896 P.2d 859 (Colo. 1995).

**The four-year time limitation for individual or class action suits under this section** applies to enforcement of the specific requirements of this constitutional provision, but does not affect the statute of limitations set forth in the statutory provisions regarding taxes that were levied erroneously or illegally. *Property Tax Adjustment Specialists, Inc. v. Mesa County Board of Comm'rs*, 956 P.2d 1277 (Colo. App. 1998).

**Provisions for collecting and spending revenues entered into by the E-470 public highway authority were not subject to the election provisions of this section** where bond contracts entered into prior to passage of this section required that the revenues would be received and spent by the highway authority for the purpose of operating the highway and repaying the indebtedness. *Board of County Comm'rs v. E-470 Public Hwy.*, 881 P.2d 412 (Colo. App. 1994).

**County's equipment lease-purchase agreement** did not create any multiple-fiscal year direct or indirect district debt or other financial obligation under this section where the county was free to terminate the agreement without penalty by failing to appropriate funds to pay the rent in any lease year. *Boulder v. Dougherty, Dawkins*, 890 P.2d 199 (Colo. App. 1994).

**This section does not supersede prior case authority permitting lease purchase agreements.** This section is analyzed in light of the existing well-established constitutional law in existence at the time of this section's adoption. *Boulder v. Dougherty, Dawkins*, 890 P.2d 199 (Colo. App. 1994).

**Tax status.** Whether the interest income derived from a county's equipment lease agreement or any similar transaction is tax free has no impact on the court's interpretation of the Colorado constitution. *Boulder v. Dougherty, Dawkins*, 890 P.2d 199 (Colo. App. 1994).

**This section creates a series of procedural requirements and nothing more.** This section circumscribes the revenue, spending, and debt powers of state and local governments, it does not create any fundamental rights. With respect to the attorney fee provision of subsection (1), a holding that a victorious plaintiff must recover attorney fees as of right is antithetical to the overarching goal of the section to limit government spending. *City of Wheat Ridge v. Cerveny*, 913 P.2d 1110 (Colo. 1996).

**This section does not provide an exemption from any obligation under the Colorado Open Records Act.** Whether an institution is an "enterprise" does not have a bearing on whether



it is free from the requirements of the Act. *Freedom Newspapers, Inc. v. Tollefson*, 961 P.2d 1150 (Colo. App. 1998).

## II. DEFINITIONS.

**E-470 authority is a district subject to the voter approval provisions of this section** since the power to unilaterally impose taxes, with no direct relation to services provided, is inconsistent with the characteristics of a business as the term is commonly used, nor is it consistent with the definition of "enterprise" read as a whole. *Nicholl v. E-470 Public Hwy. Auth.*, 896 P.2d 859 (Colo. 1995).

**The attorney fee provisions of this section authorize an award of fees but do not require such an award.** The fee-shifting phrase "successful plaintiffs are allowed costs and reasonable attorney fees" set forth in subsection (1) is plain and unambiguous. It allows a court to make an award of attorney fees but does not require the court to do so. *City of Wheat Ridge v. Cervený*, 913 P.2d 1110 (Colo. 1996).

**In assessing whether to award attorney fees under this section, the court must consider a number of factors and reach its conclusion based on the totality of the circumstances.** Most importantly, the court must evaluate the significance of the litigation, and its outcome, in furthering the goals of this section. This evaluation must also include the nature of the claims raised, the significance of the issues on which the plaintiff prevailed in comparison to the litigation as a whole, the quantum of financial risk undertaken by the plaintiff, and the factors the court would weigh in determining what "reasonable" attorney fees would be. The court may also consider the nature of the fee agreement between the plaintiff and plaintiff's attorney. Where the plaintiff has had only partial success, the court must exclude the time and effort expended on losing issues if it chooses to award attorney fees. *City of Wheat Ridge v. Cervený*, 913 P.2d 1110 (Colo. 1996).

**The appropriateness of awarding attorney fees is diminished** where the named plaintiff bears no risk and the benefit of an award of attorney fees will accrue to others. In addition, deficiencies in the attorney fee agreement, including deviation from rule requirements or professional standards, may adversely impact the quality of the representation or cause the court to find that the attorney's conduct does not merit an award regardless of a successful outcome. *City of Wheat Ridge v. Cervený*, 913 P.2d 1110 (Colo. 1996).

**The fact that the plaintiffs are not the real parties in interest does not necessarily preclude an award of attorney fees under this section.** The fact that the real parties in interest were not parties to the litigation does not disqualify nominal plaintiffs from being considered successful plaintiffs who are eligible for attorney fees under this section. *City of Wheat Ridge v. Cervený*, 913 P.2d 1110 (Colo. 1996).

**The amendment's provision for attorney fees and costs in favor of successful plaintiffs does not contravene the constitutional requirement for equal protection** by denying similar treatment to successful governmental defendants. The scheme set out in the amendment bears a rational relationship to a permissible governmental purpose; the facilitation of taxpayer suits to enforce compliance with the purpose of restraining governmental growth. *Cervený v. City of Wheat Ridge*, 888 P.2d 339 (Colo. App. 1994), rev'd on other grounds, 913 P.2d 1110 (Colo. 1996).

**The sale of lottery tickets does not constitute a "property sale" under this section.** Submission of Interrogatories on Senate Bill 93-74, 852 P.2d 1 (Colo. 1993).

**This section does not use the terms "gift" and "grant" synonymously.** "Gifts" are exempt from fiscal year spending; however, if an entity receives more than ten percent of its revenues in "grants," the entity is disqualified as an enterprise. Submission of Interrogatories on Senate Bill 93-74, 852 P.2d 1 (Colo. 1993).

**Net lottery proceeds are not to be excluded from state fiscal year spending as "gifts".** Submission of Interrogatories on Senate Bill 93-74, 852 P.2d 1 (Colo. 1993).

**It is erroneous to exclude net lottery proceeds from the purview of this section** on the basis of a characterization of the great outdoors Colorado trust fund board created under article XXVII of the Colorado Constitution as a "district" or "non-district". Submission of Interrogatories on Senate Bill 93-74, 852 P.2d 1 (Colo. 1993).

**By its terms, this section also limits the growth of state revenues, usually met by tax increases,** by restricting the increase of fiscal year spending to the rate of inflation plus population increase, unless voter approval for an increase in spending is obtained. Submission of Interrogatories on Senate Bill 93-74, 852 P.2d 1 (Colo. 1993).

**If the revenues of the state or a local government increase beyond the allowed limits on fiscal year spending,** any excess above the allowed limit or voter-approved increase must be refunded to the taxpayers. Submission of Interrogatories on Senate Bill 93-74, 852 P.2d 1 (Colo. 1993).

**The E-470 public highway authority meets the definition of an "enterprise" under this section** because it has authority to issue bonds, it receives less than ten percent of its annual revenues in grants, it acts as a business by providing a service for a fee in the form of tolls, and it is government-owned. The authority is therefore not subject to the election requirements of this section. Board of County Comm'rs v. E-470 Public Hwy., 881 P.2d 412 (Colo. App. 1994).

**Board of county commissioners was acting pursuant to express grants of constitutional and statutory authority in creating the Eagle county air terminal corporation as an enterprise** and empowering it to act on county's behalf in constructing and operating a new commercial passenger terminal. Board of Comm'rs v. Fixed Base Operators, 939 P.2d 464 (Colo. App. 1997).

**Trial court properly determined that the Eagle county air terminal corporation was an enterprise rather than a district.** Corporation was a government-owned and controlled non-profit corporation authorized to issue its own revenue bonds and it received no revenue in the form of grants from state and local governments. Board of Comm'rs v. Fixed Base Operators, 939 P.2d 464 (Colo. App. 1997).

### **III. REQUIREMENT OF ADVANCE VOTER APPROVAL.**

**Definition of "ballot issue," for purposes of subsection (3)(a) regarding scheduling of elections, is limited to fiscal matters.** Zaner v. City of Brighton, 899 P.2d 263 (Colo. App. 1994), *aff'd*, 917 P.2d 280 (Colo. 1996).

**A substantial compliance standard is the proper measure when reviewing claims brought to enforce the election provisions of this section.** In determining whether a district has substantially complied with a particular provision of this section, courts should consider factors, including: (1) The extent of the district's noncompliance; (2) the purpose of the provision violated and whether the purpose is substantially achieved despite the district's noncompliance; and (3) whether it can reasonably be inferred that the district made a good faith effort to comply or whether the district's noncompliance is more properly viewed as the product of an intent to mislead the electorate. Bickel v. City of Boulder, 885 P.2d 215 (Colo. 1994).

**A plaintiff suing under this section's enforcement clause need not set forth in the complaint facts showing that the claimed violations affected the election results.** A requirement that a plaintiff allege facts that the election results would have been different had the claimed violations not occurred would make enforcement of the provisions of this section effectively impossible in most elections. Bickel v. City of Boulder, 885 P.2d 215 (Colo. 1994).

**The incurrence of a debt and the adoption of taxes as the means with which to repay**



**that debt are properly viewed as a single subject** when presented together in one ballot issue. *Bickel v. City of Boulder*, 885 P.2d 215 (Colo. 1994).

**Ballot title is not a ballot title for tax or bonded debt increases** and the city is not required to begin the measure with the language "Shall city taxes be increased by up to 8 million dollars?". The primary purpose and effect of the measure is to grant a franchise to a public utility to furnish gas and electricity to the city and its residents, although the ballot title also seeks authorization for a contingent tax increase of up to \$8,000,000 to be implemented only in the highly unlikely event that the city were unable to collect from the public utility. *Bickel v. City of Boulder*, 885 P.2d 215 (Colo. 1994).

**Ballot title violates subsection (3)(c) by failing to include an estimate of the full fiscal year dollar increase in ad valorem property taxes.** All that is required is a good faith estimate of the dollar increase. To create an exemption from the requirements of subsection (3)(c) any time a district has difficulties estimating its proposed tax increases would undermine the primary purpose of the disclosure provisions of this section. *Bickel v. City of Boulder*, 885 P.2d 215 (Colo. 1994).

**The purpose of the disclosure requirements regarding the dollar estimate of a tax increase is to permit the voters to make informed choices at the ballot.** That purpose was not substantially achieved in the case of the proposed ad valorem property tax increase because the ballot title failed to give any indication of the potential magnitude of the tax increase. *Bickel v. City of Boulder*, 885 P.2d 215 (Colo. 1994).

**The only portion of the ballot measure that should be invalidated for failure to provide estimate of the tax increase** is the authorization for the city to increase ad valorem property taxes "in an amount sufficient to pay the principal and interest on" the open space bonds. The first portion of the measure, which authorizes the city to issue bonds, does not violate this section and need not be stricken from the measure. *Bickel v. City of Boulder*, 885 P.2d 215 (Colo. 1994).

**The calculation method employed to calculate fiscal year spending is not prohibited by the plain language of this section.** It is entirely unclear whether the city's cash reserves are properly viewed as a reserve increase, a reserve transfer, or a reserve expenditure for purposes of subsection (2)(e). Plaintiffs' claim that the city's calculation of its fiscal year spending data may have misled the voters is without foundation because the city clearly disclosed in its election notice that

fiscal year spending included the accrual of the cash reserves. *Bickel v. City of Boulder*, 885 P.2d 215 (Colo. 1994).

**Failure of election notice to include the overall percentage change in fiscal year spending over a five-year period is not significant.** All of the information relevant to calculating the overall percentage change was provided by the city in its chart. On the whole, the election notice substantially complies with the disclosure requirements set forth in subsection (3)(b). *Bickel v. City of Boulder*, 885 P.2d 215 (Colo. 1994).

**Where there is a discrepancy between the total debt repayment cost stated in the election notice and the amount stated in the ballot title, the district should be bound by the lower figure.** The electorate did not receive any advance warning of the higher debt repayment cost stated in the ballot title. *Bickel v. City of Boulder*, 885 P.2d 215 (Colo. 1994).

**The absence of the district's submission resolution from the election notice did not make the election notice insufficient or misleading in any way.** This section does not require districts to include in their election notices the ministerial acts, orders, or directions of the governing body authorizing submission of a particular initiative to the electorate where to do so would be duplicative and potentially confusing and would not add any substantive information to the election notice that was not already disclosed in the ballot title. *Bickel v. City of Boulder*, 885 P.2d 215 (Colo. 1994).

**Subsection (4)(a) does not require a school district to obtain voter approval for every tax or mill levy**, but only for those taxes that are either new or represent increases from the previous year. To the extent that the school district's 1992 mill levy was the same as the previous year, subsection (4)(a) did not apply. *Bolt v. Arapahoe County School Dist. No. 6*, 898 P.2d 525 (Colo. 1995).

**Advance voter approval requirement held satisfied by 1984 approval of issuance of general obligation bonds.** The incurring of debt and the repayment of that debt are issues that are so intertwined that they may properly be submitted to the voters as a single subject. *Bolt v. Arapahoe County School Dist. No. 6*, 898 P.2d 525 (Colo. 1995).

**Voters may give present approval for future increases in taxes under this section** when the increase might be necessary to repay a specific, voter-approved debt. *Bolt v. Arapahoe County School Dist. No. 6*, 898 P.2d 525 (Colo. 1995).

**Abatements and refunds levy, designed to recoup tax revenue lost because of an error in assessment, is not subject to subsection (4)(a).** But for the error, such revenue would have been collected, and the total dollar amount of taxes imposed does not increase although the mill levy rate may change. *Bolt v. Arapahoe County School Dist. No. 6*, 898 P.2d 525 (Colo. 1995).

**District levy for purposes of meeting federal requirements predated this section, hence was exempt**, in view of statutory budgeting process that gives no discretion to board of county commissioners to alter budget fixed earlier in the year. *Bolt v. Arapahoe County School Dist. No. 6*, 898 P.2d 525 (Colo. 1995).

**While authority's bonds constituted a financial obligation under this section, the remarketing of the bonds nevertheless was not subject to subsection (4)(b)**, since the bond remarketing scheme does not create any new obligation, it merely remarketed debt that was authorized before the enactment of this section under the terms of a financing plan adopted at the time the debt was issued. *Board of County Comm'rs v. E-470 Public Hwy. Auth.*, 881 P.2d 412 (Colo. App. 1994); *Nicholl v. E-470 Public Hwy. Auth.*, 896 P.2d 859 (Colo. 1995).

**Intergovernmental loan repayment was a new multi-year fiscal obligation to which subsection (4)(b) applied** and Authority must obtain voter approval before incurring this debt. *Nicholl v. E-470 Public Hwy. Auth.*, 896 P.2d 859 (Colo. 1995).

#### **IV. SPENDING AND REVENUE LIMITS.**

**The electorate of a governmental entity may authorize retention and expenditure of the excess collection without forcing a corresponding revenue reduction.** *Havens v. Board of County Comm'rs*, 924 P.2d 517 (Colo. 1996).

**Although the great outdoors Colorado trust fund board is not a local government, private entity, agency of the state, or enterprise under this section**, it is essentially governmental in nature and the best reading of this section is to exclude from state fiscal year spending limits only those entities that are non-governmental since this interpretation is the interpretation that reasonably restrains most the growth of government. *Submission of Interrogatories on Senate Bill 93-74*, 852 P.2d 1 (Colo. 1993).

**Section 9 of article XVIII of the Colorado Constitution prohibits the general assembly from enacting limitations on revenues collected by the Colorado limited gaming commission** in order to comply with this section, and insofar as revenues generated by limited gaming might tend in a given year to violate the spending limits imposed by this section, the general assembly may comply with this section by decreasing revenues collected elsewhere, or if that is impossible after the fact, the general assembly may comply with this section by refunding the surplus to taxpayers. *Submission of Interrogatories on Senate Bill 93-74*, 852 P.2d 1 (Colo. 1993).



**The party seeking to invoke the "preferred interpretation" has the burden of establishing** that its proposed construction of this section would reasonably restrain the growth of government more than any other competing interpretation. The mere assertion by a party that its interpretation would "reasonably restrain most the growth of government" is not dispositive. *Bickel v. City of Boulder*, 885 P.2d 215 (Colo. 1994).

**"Offset" is not a term of art defined by this section** or utilized in a compensatory financial sense in the applicable provision; rather, read in context, the reasonable meaning of the operating phrase "revenue change as an offset" in subsection (7)(d) is that voter approval for the excess revenue retention constitutes the required offset to the refund requirement which otherwise would apply. *Havens v. Board of County Comm'rs*, 924 P.2d 517 (Colo. 1996).

**The electorate's approval for retention of the excess revenues as a "revenue change" is the required "offset"** to the governmental entity's otherwise applicable refund obligation: "[T]he excess shall be refunded in the next fiscal year unless voters approve a revenue change as an offset." *Havens v. Board of County Comm'rs*, 924 P.2d 517 (Colo. 1996).

**Remarketing of revenue bonds does not constitute creation of debt requiring voter approval under this section** because the remarketing does not create any new debt, impose any tax, or expose taxpayers to any new liability or obligation. *Board of County Comm'rs v. E-470 Public Hwy.*, 881 P.2d 412 (Colo. App. 1994).

**Under this section, bonded debt increases annual fiscal spending only by the amount of the debt service**, not by the amount of the borrowed funds expended; thus, the expenditure of the escrowed bond proceeds for further construction and the operation of E-470 highway does not impact annual fiscal spending, and is not subject to the voter approval requirements of subsection (7)(d). *Board of County Comm'rs v. E-470 Public Hwy. Auth.*, 881 P.2d 412 (Colo. App. 1994); *Nicholl v. E-470 Public Hwy. Auth.*, 896 P.2d 859 (Colo. 1995).

**The collection and expenditure of Authority revenues for service on bonds are "changes in debt service,"** to which the provisions of subsection (7)(b) do not apply under the plain language of this section. *Board of County Comm'rs v. E-470 Public Hwy. Auth.*, 881 P.2d 412 (Colo. App. 1994); *Nicholl v. E-470 Public Hwy. Auth.*, 896 P.2d 859 (Colo. 1995).

**It is incorrect to interpret the phrase "revenue change as an offset" in subsection (7)(d) to require that offsetting revenue reductions must be paired with the retained excess revenues for the following reasons:** (1) Such a construction would restrict the electorate's franchise in a manner inconsistent with the evident purpose of this section, which is to limit the discretion of governmental officials to take certain taxing, revenue, and spending actions in the absence of voter approval; (2) such a construction does not accord with legitimate voter expectations that this section, if adopted, would defer to citizen approval or disapproval certain proposed tax, revenue, and spending measures that varied from this section's limitations; (3) the general assembly has construed this section as including the approval of revenue changes, under subsection (7) by means of measures referred to the voters by local government; (4) such a construction conflicts with the clear pattern of this section deferring to voter choice in the waiver of otherwise applicable limitations; and (5) the court has declined to adopt a rigid interpretation of this section which would have the effect of working a reduction in government services. *Havens v. Board of County Comm'rs*, 924 P.2d 517 (Colo. 1996).

## **V. STATE MANDATES.**

**"Subsidy" of state by county is legally impossible.** Attempted turnback by county of its responsibilities under human services code pursuant to subsection (9) was invalid because when a county (itself a political subdivision of the state) attempts to subsidize the state, the state, through

the county, contributes to itself. Therefore, county's contribution to cost of social services program is not a "subsidy" and subsection (9) does not apply. *Romer v. Board of County Comm'rs, Weld County*, 897 P.2d 779 (Colo. 1995).

This section did not change the mixed state and local character of social services. *Romer v. Board of County Comm'rs, Weld County*, 897 P.2d 779 (Colo. 1995).

A county's duties to the state court system, including security, may not be reduced or ended pursuant to subsection (9). *State v. Board of County Comm'rs, Mesa County*, 897 P.2d 788 (Colo. 1995).



# COLORADO REVISED STATUTES

## TITLE 22 EDUCATION

### ARTICLE 41.5

#### Voter Approval for Weakening of Debt Limitations on School Districts

**22-41.5-101. Legislative declaration.** (1) The general assembly hereby finds and declares that: (a) In performing its duties under sections 2 and 15 of article IX, section 20 of article X, and section 6 of article XI of the state constitution, the general assembly must balance the interests of achieving a thorough and uniform public school system, controlling public debt, preserving a limited degree of local control, and reasonably restraining most the growth of government;

(b) In balancing these constitutional interests through the exercise of its legislative authority, the general assembly has enacted limitations on the ability of school districts to incur indebtedness;

(c) A statutory restriction has been imposed on the amount of bonded indebtedness that school districts can incur with voter approval for capital improvements;

(d) From time to time, changes to such limitations imposed on school districts are necessary in order to keep these constitutional interests properly balanced in light of changing circumstances;

(e) Section 20 (1) of article X of the state constitution prohibits the weakening of "other limits on district revenue, spending, and debt" without future voter approval;

(f) No change in school district debt occurs by virtue of statutory changes that increase a limit when the debt would not actually increase without school district voter approval and any actual weakening occurs only when school district voter approval is obtained under an increased limit; and

(g) By requiring voters to give approval at the school district level for any weakening of a school district limit on debt, the voter approval requirement of section 20 (1) of article X is satisfied in a manner achieving a reasonable result through legislative harmonization of constitutional provisions.

**22-41.5-102. Voter approval - weakening of limits on school district debt.** (1) Whenever any provision of this title imposes a limitation on the debt of school districts and the voters of a school district are required by law to approve any change in debt subject to the limitation, the general assembly shall not be required to seek statewide voter approval to amend the statutory provision that imposes the limitation.

(2) For purposes of section 20 (1) of article X of the state constitution, any weakening of a limitation on a school district's debt shall occur only when voter approval at the school district level is obtained, and voter approval of the measure at the school district level shall satisfy any voter approval requirement of section 20 (1) of article X.

(3) Any ballot question seeking voter approval of a weakening of any limitation on school district debt may be submitted to the eligible electors of a school district as a separate ballot question

or as part of a ballot question including other ballot issues, such as the authorization of bonded indebtedness.

## **ARTICLE 42**

### **Bond Indebtedness**

**22-42-128. Effect of article X, section 20 on bonded indebtedness authorized prior to November 4, 1992.** (1) The general assembly hereby finds and declares that:

(a) Section 20 (4) of article X of the state constitution provides that, beginning on November 4, 1992, school districts must have voter approval in advance for increases in bonded indebtedness and property tax mill levies;

(b) A sizeable amount of bonded indebtedness had been authorized by school district electors at elections held pursuant to section 22-42-102 prior to the adoption of section 20 of article X;

(c) In approving the question of incurring bonded indebtedness, the voters acknowledged that the board of education of the school district would annually certify the amount needed for its bond redemption fund to make principal and interest payments on the bonds, that a property tax would be levied annually to produce such certified amount, and that the property tax mill levy would be raised or lowered annually to produce such certified amount;

(d) Once bonded indebtedness was incurred, the voters of the district, as well as the bondholders, had a reasonable expectation that further voter approval would not be required;

(e) The purpose of section 20 (4) of article X is to allow the electors of school districts to have a voice in bonded indebtedness increases and property tax mill levy increases;

(f) The purpose of section 20 (4) has already been fully satisfied because the question of incurring bonded indebtedness, and the method for paying such indebtedness through an adjustment to the property tax mill levy, has already been approved by the voters at elections held prior to November 4, 1992; and

(g) The purpose of section 20 (4) would not be further satisfied by requiring voter approval each time the mill levy needs to be adjusted to produce the revenue necessary to pay school district bonded indebtedness authorized at elections held prior to November 4, 1992.

(2) Bonded indebtedness authorized at elections held pursuant to section 22-42-102 prior to November 4, 1992, or the refunding of such bonded indebtedness, which involve a property tax mill levy or a pledge of a property tax mill levy pursuant to section 22-42-118 to provide revenues to the school district to make bonded indebtedness payments or to cover default or deficiencies in bonded indebtedness payments, is not affected or impaired by the passage of section 20 of article X of the state constitution.

**TITLE 25  
HEALTH**

**ARTICLE 3  
Hospitals**

**PART 3  
COUNTY HOSPITALS, ESTABLISHMENT**

**25-3-303. Organization of trustees.** (1) The members of the board of public hospital trustees within ten days after their appointment shall qualify by taking the oath of office. On the second Tuesday of each January, they shall organize and operate as follows:

(a) Unless otherwise authorized under the provisions of paragraph (b) of this subsection (1), they shall elect one of their number as president, one as vice-president, and one as secretary. No bond shall be required of them. The county treasurer of the county shall be treasurer of the board of trustees and shall receive and pay out all moneys under the control of said board as ordered by it but shall receive no compensation from such board. No trustee shall receive any compensation for services performed but may receive reimbursement for any cash expenditures actually made for personal expenses incurred as such trustee. An itemized statement of all such expenses and money paid out shall be made under oath by such trustee and filed with the secretary and allowed only by the affirmative vote of all the trustees present at a meeting of the board.

(b) If approved by resolution of the board of county commissioners, the board may organize and operate by electing one of their number as president, one as vice-president, and one as secretary-treasurer. The trustees may appoint an assistant secretary-treasurer from outside the membership of the board of trustees. No bond shall be required of the trustees, except of the secretary-treasurer and assistant secretary-treasurer who shall each file with the board of trustees, at the expense of the hospital, a corporate fidelity bond in an amount not less than ten thousand dollars, conditioned on the faithful performance of the duties of his office. The secretary-treasurer shall receive and pay out all the moneys under the control of the board of trustees as ordered by it. No trustee shall receive any compensation for services performed, but may receive reimbursement for any cash expenditures actually made for personal expenses incurred as such trustee. An itemized statement of all such expenses and money paid out shall be made under oath by such trustee and filed with the secretary-treasurer and allowed only by the affirmative vote of all the trustees present at a meeting of the board.

(2) For purposes of part 4 of article 6 of title 24, C.R.S., any board of public hospital trustees created pursuant to section 25-3-302 shall continue to be a local public body, as defined in section 24-6-402 (1) (a), C.R.S., regardless of whether the hospital governed by such board of trustees is designated an enterprise pursuant to section 25-3-304 (3).

**25-3-304. Trustees - powers and duties.** (1) The board of public hospital trustees shall make and adopt such bylaws, rules, and regulations for its own guidance and for the government of the hospital as it deems expedient for the economic and equitable conduct thereof, not inconsistent with state law or the ordinances of the city or town wherein such public hospital is located. The public hospital board shall have the exclusive control of the use and expenditure of all moneys collected to the credit of the hospital, including the right to invest or have invested hospital moneys



and funds held by the hospital or in the office of the county treasurer and to receive the interest and income therefrom, and of the purchase of sites, the purchase, construction, or enlargement of any hospital building, and the supervision, care, and custody of the grounds, rooms, or buildings purchased, constructed, leased, or set apart for that purpose. The hospital board may acquire by lease real and personal property subject to the approval of the board of county commissioners. All tax moneys received for hospital purposes shall be paid out of the county treasury only upon warrants drawn by the county commissioners upon sworn vouchers approved by the hospital board. All other moneys received for such hospital shall be deposited in the treasury of the hospital and paid out only upon order of said hospital board. Hospital property and facilities, including real and personal property, may be acquired and held by lease or conveyance on transfer of title, but if by conveyance title to all lands shall be in the name of the county. County hospitals situated in home rule counties shall have the additional borrowing authority as granted by section 30-35-201 (23) (b), C.R.S.

(2) The board of public hospital trustees shall have power to hire, retain, and remove agents and employees, including administrative, nursing, and professional personnel, engineers, architects, and attorneys, and to fix their compensation; shall have the power to borrow money and incur indebtedness, and to issue bonds and other evidence of such indebtedness; except that no indebtedness shall be created, except as otherwise provided by statute, in excess of the revenue which may reasonably be expected to be available to the hospital for repayment thereof in the fiscal year in which such indebtedness is to be created, and except that no such indebtedness shall be incurred without the approval of the board of county commissioners; and shall in general carry out the spirit and intent of this part 3 in establishing and maintaining a county public hospital. Such board of public hospital trustees shall hold meetings at least once each month and shall keep a complete record of all its proceedings. Four members of the board shall constitute a quorum for the transaction of business. One of the trustees shall visit and examine said hospital at least twice each month, and the public hospital board, during the first week in each January and July, shall file with the board of county commissioners a report of their proceedings with reference to such hospital and a statement of all receipts and expenditures during the half year. On or before each October first, the board shall certify to the board of county commissioners the amount necessary to maintain and improve said hospital for the ensuing year. No trustee shall have a personal pecuniary interest, either directly or indirectly, in the purchase of any supplies for said hospital, unless the same are purchased by competitive bidding.

(3)(a) The board of public hospital trustees may, in accordance with the provisions of paragraph (b) of this subsection (3), designate the hospital as an enterprise for purposes of section 20 of article X of the state constitution so long as said board of trustees retains authority to issue revenue bonds and the hospital receives less than ten percent of its total annual revenues in grants. So long as the hospital is designated as an enterprise pursuant to the provisions of this subsection (3), the hospital shall not be subject to any of the provisions of section 20 of article X of the state constitution.

(b) (1) The board of public hospital trustees may, by resolution, designate the hospital as an enterprise as long as the hospital meets the requirements for an enterprise as stated in paragraph (a) of this subsection (3). Such designation shall be effective beginning with the budget year immediately following the budget year in which such resolution is adopted. Such resolution shall



be adopted no sooner than ninety days and no later than thirty days prior to the commencement of the budget year in which such designation becomes effective.

(II) The board of public hospital trustees may, by resolution, revoke the designation of the hospital as an enterprise. Such revocation shall be effective beginning with the budget year immediately following the budget year in which such resolution is adopted. Such resolution shall be adopted no sooner than ninety days and no later than thirty days prior to the commencement of the budget year in which such revocation becomes effective.

(III) Upon adoption of any resolution pursuant to the provisions of subparagraph (I) or (II) of this paragraph (b), the board of public hospital trustees shall transmit a copy of the resolution to the division of local government in the department of local affairs and the appropriate board or boards of county commissioners.

(IV) The termination or revocation of the designation of the hospital as an enterprise shall not affect in any manner the validity of any revenue bonds issued by the board of public hospital trustees of such hospital pursuant to subsection (4) of this section.

(c) (I) For purposes of this subsection (3), "grant" means any direct cash subsidy or other direct contribution of money from the state or any local government in Colorado which is not required to be repaid.

(II) "Grant" does not include:

(A) Any indirect benefit conferred upon a hospital from the state or any local government in Colorado;

(B) Any revenues resulting from rates, fees, assessments, or other charges imposed by a hospital for the provision of goods or services by such hospital;

(C) Any federal funds, regardless of whether such federal funds pass through the state or any local government in Colorado prior to receipt by a hospital.

(4) (a) Subject to the limitations set forth in paragraph (b) of this subsection (4), the board of public hospital trustees shall have the power to issue revenue bonds, secured by any revenues of the hospital other than property tax revenues. Notwithstanding subsection (2) of this section to the contrary, such revenue bonds may provide for their repayment over a term greater than one fiscal year. The board shall authorize the issuance of revenue bonds by resolution, duly approved by no less than two-thirds of the entire membership of the board. All bonds shall be signed by the president of the board of trustees, countersigned by the secretary of the board of trustees, and shall be numbered and registered in a book kept by the secretary or the secretary-treasurer, as applicable. Each bond shall state upon its face the amount for which such bond is issued, to whom such bond is issued, and the date of its issuance.

(b) Except as otherwise provided in this paragraph (b), the issuance of any revenue bonds pursuant to the provisions of this subsection (4) shall not become effective for a period of thirty days following the adoption of any resolution authorizing such issuance for the purpose of allowing the

board of county commissioners to review such pending bond issue. Such review period shall commence upon the date of receipt by the board of county commissioners of written notice from the board of public hospital trustees of such pending revenue bond issue. During said thirty days, the board of county commissioners may file a written notice with the board of trustees stating that the board of county commissioners has no objection to such pending bond issue. Upon receipt of such notice of no objection, the issuance of such revenue bonds shall become effective. If, within said thirty days, the board of county commissioners does not file with the board of trustees either a written notice of no objection or a written objection, the issuance of such revenue bonds shall become effective. If the board of county commissioners files a written objection, the issuance of such revenue bonds shall be prohibited until such time as the board of county commissioners gives written notice to the board of trustees of withdrawal of the board's objection.

**25-3-305. Vacancies - removal for cause.** Vacancies in the board of trustees occasioned by removals, resignations, or otherwise shall be reported to the board of county commissioners and be filled in like manner as original appointments. Any trustee may be removed for cause by the board of county commissioners.

**25-3-306. Right of eminent domain.** If the board of public hospital trustees and the owners of any property desired by it for hospital purposes cannot agree as to the price to be paid therefor, said board shall report the facts to the board of county commissioners, and condemnation proceedings shall be instituted by the board of county commissioners and prosecuted in the name of the county wherein such public hospital is to be located.

**25-3-307. Building requirements.** No hospital buildings shall be erected or constructed until the plans and specifications have been made therefor and adopted by the board of public hospital trustees and bids advertised for according to law as for other county public buildings. Such hospital may be in more than one unit or set of buildings within the same town or city, or in separate towns or cities, or within adjacent counties, and, if in adjacent counties, upon approval of the respective boards of county commissioners.

**25-3-308. Improvements or enlargements.** In counties exercising the rights conferred by this part 3, the board of county commissioners may appropriate each year, in addition to the tax for hospital fund provided for in section 25-3-301, not more than five percent of its general fund for the improvement or enlargement of any public hospital so established.

**25-3-309. Hospital fees.** Every hospital established under this part 3 shall be for the benefit of the inhabitants of such county and of any person falling sick or being injured or maimed within its limits. Every inhabitant or person who is not a pauper shall pay to the board of public hospital trustees or such officer as it shall designate for such county public hospital a reasonable compensation for occupancy, nursing, laboratories, care, medicine, or attendants according to the rules and regulations prescribed by said board in order to render the use of said hospital of the greatest benefit to the greatest number.

**25-3-310. Rules and regulations.** (1) When such hospital is established, the physicians, nurses, attendants, persons sick therein, and persons approaching or coming within the limits of same and all buildings and grounds of such hospital and all furniture and other articles used or brought there shall be subject to such rules and regulations as said public hospital board may

prescribe.

(2) Said public hospital board may exclude from the use of such hospital any inhabitants and persons who willfully violate such rules and regulations. The board may extend the privileges and use of such hospital to persons residing outside of such county upon such terms and conditions as said board may from time to time by its rules and regulations prescribe.

**25-3-311. Donations permitted.** Any person, firm, organization, corporation, or society desiring to make donations of money, personal property, or real estate for the benefit of such public hospital shall have the right to vest title of the money, personal property, or real estate so donated in said county, to be controlled, when accepted, by the board of public hospital trustees according to the terms of the deed, gift, devise, or bequest of such property.

**25-3-312. Training school for nurses.** The board of trustees of such county public hospital may establish and maintain, in connection therewith and as a part of said public hospital, a training school for nurses.

**25-3-313. Lease of hospital.** The public hospital board having control of such hospital after its establishment and turning over to its management may in its discretion rent or lease the said hospital, for such rental and for such term as it deems reasonable and proper, to any corporation not for pecuniary profit duly organized under the laws of the state of Colorado for the purpose of conducting a hospital.

**25-3-314. Charge for professional services.** Any hospital which is owned by a county, or by a city and county, having a population in excess of two hundred fifty thousand persons and which is a teaching hospital duly accredited as such by the joint commission on accreditation of hospitals and by the council on medical education of the American medical association may employ physicians and surgeons licensed to practice medicine in the state of Colorado for the performance of professional services in such hospital or in any related outpatient facility which is owned by such county or city and county. Charges for the services so rendered by any such physician or surgeon, excluding professional trainees, may be collected through the medium of such hospital in the name of the physician or surgeon and, upon collection, may be placed in a medical practice fund to be established, maintained, and used by such hospital solely for the purpose of payment of compensation to the physicians and surgeons so employed and for the payment of consultation fees to other physicians and surgeons not so employed, or directly to physicians and surgeons who are directly engaged in medical research or medical education.

**25-3-315. Records of hospital.** For purposes of part 2 of article 72 of title 24, C.R.S., the records of any hospital established pursuant to this part 3 shall continue to be public records, as defined in section 24-72-202 (6), C.R.S., regardless of whether such hospital is designated as an enterprise pursuant to section 25-3-304 (3).



## TITLE 37 WATER AND IRRIGATION

### ARTICLE 45.1 Water Activities - Enterprise Status

**37-45.1-101. Legislative declaration.** (1) The general assembly hereby finds, determines, and declares that in order to provide for the continued beneficial use of all waters originating in Colorado, the establishment of water activity enterprises within or by water conservancy districts, water conservation districts, and other entities of state and local government is critical to the health and welfare of the people of the state of Colorado. The general assembly further finds that water activities are necessary to:

- (a) Provide a secure water supply for domestic use;
- (b) Continue to provide water for agricultural use;
- (c) Supply water for power, milling, manufacturing, mining, metallurgical, fish, wildlife, recreational, and all other beneficial uses;
- (d) Secure water to which the state is entitled under its interstate water compacts and equitable apportionment decrees;
- (e) Treat, reclaim, conserve, recharge, augment, exchange, or reuse water supplies within the state; and
- (f) Provide wholesale and retail water supply and wastewater services.

**37-45.1-102. Definitions. As used in this article, unless the context otherwise requires:**

(1) "District" means any state or local governmental entity which has authority to conduct water activities, including a water conservancy district created pursuant to article 45 of this title, a water conservation district created by article 46, 47, or 48 of this title, a water and sanitation district or other entity created pursuant to title 32, C.R.S., an entity created pursuant to title 29, C.R.S., or this title, a county, or a municipality.

(2) "Grant" means a cash payment of public funds made directly to a water activity enterprise by the state or a local governmental entity or a district, which cash payment is not required to be repaid. "Grant" does not include public funds paid or advanced to a water activity enterprise by the state or a local governmental entity or district in exchange for an agreement by a water activity enterprise to provide services including the provision of water, the capacity of project works, materials, or other water activities, nor does "grant" include refunds made in the current or next fiscal year, gifts, any payments directly or indirectly from federal funds or earnings on federal funds, collections for another government, pension contributions by employees and pension fund earnings, reserve transfers or expenditures, damage awards, or property sales.

(3) "Water activity" includes but is not limited to the diversion, storage, carriage, delivery, distribution, collection, treatment, use, reuse, augmentation, exchange, or discharge of water and includes the provision of wholesale or retail water or wastewater or stormwater services and the acquisition of water or water rights.



(4) "Water activity enterprise" includes any government water activity business owned by a district, which enterprise receives under ten percent of its annual revenues in grants from all Colorado state and local governments combined and which is authorized to issue its own revenue bonds pursuant to this article or any other applicable law.

(5) "Water project or facility" includes a dam, storage reservoir, compensatory or replacement reservoir, canal, conduit, pipeline, tunnel, power plant, water or wastewater treatment plant, and any and all works, facilities, improvements, and property necessary or convenient for the purpose of conducting a water activity.

**37-45.1-103. Establishment of enterprises.** (1) Any district which under applicable provisions of law has its own bonding authority may establish or may continue to maintain water activity enterprises for the purpose of pursuing or continuing water activities, including water acquisition or water project or facility activities, including the construction, operation, repair, and replacement of water or wastewater facilities. Any water activity enterprise established or maintained pursuant to this article is excluded from the provisions of section 20 of article X of the state constitution.

(2) (a) Each water activity enterprise shall be wholly owned by a single district and shall not be combined with any water activity enterprise owned by another district; however, each district may establish more than one water activity enterprise and each water activity enterprise may conduct or continue to conduct one or more water activities as may be determined by the governing body of the water activity enterprise.

(b) This subsection (2) shall not limit the authority of a water activity enterprise to contract with any other person or entity, including other districts or water activity enterprises.

(3) The governing body of the water activity enterprise shall be the governing body of the district which owns the enterprise or such governing body as may be prescribed by applicable laws, city and county, county, or municipal charters, county resolutions, municipal ordinances, or intergovernmental agreements which designate a different governing body for the water activity enterprise.

(4) The governing body of each water activity enterprise may exercise the district's legal authority relating to water activities, but no enterprise may levy a tax which is subject to section 20 (4) of article X of the state constitution.

**37-45.1-104. Enterprise revenue bonding authority.** (1) Each water activity enterprise, through its governing body, may issue or reissue revenue bonds in accordance with and through the provisions of subsection (2) of this section.

(2) The water activity enterprise is authorized to issue or reissue bonds, notes, or other obligations payable from the revenues derived or to be derived from the function, service, benefits, or facility or the combined functions, services, benefits, or facilities of the enterprise or from any other available funds of the enterprise. The terms, conditions, and details of said bonds, notes, and other obligations, the procedures related thereto, and the refunding thereof shall be set forth in the resolution authorizing said bonds, notes, or other obligations and shall, as nearly as may be

practicable, be substantially the same as those provided in part 4 of article 35 of title 31, C.R.S., relating to water and sewer revenue bonds; except that the purposes for which the same may be issued shall not be so limited and except that said bonds, notes, and other obligations may be sold at public or private sale. Each bond, note, or other obligation issued under this subsection (2) shall recite in substance that said bond, note, or other obligation, including the interest thereon, is payable from the revenues and other available funds of the water activity enterprise pledged for the payment thereof. Notwithstanding any other provision of law to the contrary, such bonds, notes, and other obligations may be issued to mature at such times not beyond forty years from their respective issue dates, shall bear interest at such rates, and shall be sold at, above, or below the principal amount thereof, all as shall be determined by the governing body of the water activity enterprise. Notwithstanding anything in this section to the contrary, in the case of short-term notes or other obligations maturing not later than one year after the date of issuance thereof, the governing body of the water activity enterprise may authorize officials of the enterprise to fix principal amounts, maturity dates, interest rates, and purchase prices of any particular issue of such short-term notes or obligations, subject to such limitations as to maximum term, maximum principal amount outstanding, and maximum net effective interest rates as the governing body shall prescribe by resolution. Such action may be taken only at a public meeting preceded by adequate notice, and the action of the governing body of the water activity enterprise shall be properly recorded on the permanent records of the governing body of the enterprise. The powers provided in this section for water activity enterprises shall not modify, limit, or affect the powers conferred by any other law either directly or indirectly.

**37-45.1-105. Article X, section 20 matters.** (1) Contracts pertaining to a water project, facility, or activity entered into prior to November 4, 1992, and bonded indebtedness incurred prior to November 4, 1992, or refunding of such bonded indebtedness, which involve a levy or assessment or a pledge of a levy or assessment under any provision of law governing the district to provide revenues to the district or cover default or deficiencies in bonded indebtedness payments are not affected or impaired by the passage of section 20 of article X of the state constitution.

(2) Lands which are included in a district with authority to conduct a water activity shall be subject to the same mill levies and other taxes levied or to be levied on other similarly situated lands at the time such additional lands are included. Such newly included lands are additions to taxable real property, and application of such levies and other taxes to such newly included lands is not subject to the limitations of section 20 (4) of article X of the state constitution. This subsection (2) is intended to place newly included lands and similarly situated existing lands within a district on an equal basis.

(3) Water project loan agreements subject to repayment or contracts for services including the provision of water, capacity of project works, materials, or other water activities, which involve the payment of funds for such services to a district or its water activity enterprise by a state or local governmental entity or by another district or water activity enterprise, shall not be considered "grants" within the meaning of section 20 (2) (d) of article X of the state constitution. Notwithstanding the provisions of section 6 (3) of article XI of the state constitution, where such agreement or contract shall in whole or in part constitute a general obligation of such local governmental entity or district, and where such agreement or contract provides that such local governmental entity or district shall be required to accept and pay for water, capacity, materials, or other water activities agreed or contracted for by a defaulting local governmental entity or district, such agreement or contract shall not be entered into unless the question of incurring such general

obligation has been submitted to and approved at an election conducted by such local governmental entity or district in accordance with applicable election laws.

**37-45.1-106. Contracts.** (1) A district or its water activity enterprise may contract with the Colorado water conservation board or any other governmental source of funding for loans and grants related to water activity enterprise functions, and a district or its water activity enterprise may contract with the Colorado water resources and power development authority for loans or other available financial assistance related to water activity enterprise functions.

(2) Revenues collected by a district for services rendered by a water activity enterprise which it owns, including but not limited to the revenues raised by rates on each class of service under article 45, 46, 47, or 48 of this title, are not subject to the limitations of subsections (4) and (7) of section 20 of article X of the state constitution.

(3) The rates or a change in the rates charged by a district for its water activity enterprise services, including the provision of water, capacity of project works, materials, or other water activities provided by or through the water activity enterprise, shall not be deemed a tax subject to the limitations of section 20 (4) and (7) of article X of the state constitution.

**37-45.1-107. Construction.** The authority of this article is in addition to all other authority provided by law. Nothing contained in this article shall be construed to require the establishment, operation, or continuation of a water activity enterprise or to limit the authority of any state or local government to utilize other policies and procedures for establishing, operating, or continuing water activity enterprises or to establish and operate other types of enterprises for any other lawful purpose.



## **TITLE 39 TAXATION**

### **ARTICLE 1 General Provisions**

#### **39-1-111.5. Temporary property tax credits and temporary mill levy rate reductions.**

(1) In order to effect a refund for any of the purposes set forth in section 20 of article X of the state constitution, any local government may approve and certify a temporary property tax credit or temporary mill levy rate reduction as set forth in this section. The procedures set forth in this section shall be deemed to be a reasonable method for effecting refunds in accordance with section 20 of article X of the state constitution.

(2) Concurrent with the certification of its levy to the board of county commissioners as required pursuant to section 39-5-128 (1), any local government may certify a refund in the form of a temporary property tax credit or temporary mill levy rate reduction. The certification shall include the local government's gross mill levy, the temporary property tax credit or temporary mill levy rate reduction expressed in mill levy equivalents, and the net mill levy, which shall be the gross mill levy less the temporary property tax credit or temporary mill levy rate reduction.

(3) Concurrent with certification to the assessor of all mill levies by the board of county commissioners or other body authorized by law to levy taxes in accordance with section 39-1-111 (2), the board of county commissioners shall certify any other local government's temporary property tax credit or temporary mill levy rate reduction and any temporary property tax credit or temporary mill levy rate reduction for the county or city and county itself, itemized as set forth in subsection (2) of this section.

(4) Concurrent with the delivery to the treasurer of the tax warrant by the assessor in accordance with section 39-5-129, the assessor shall, in addition to all other information required to be set forth in the tax warrant, itemize in the manner set forth in subsection (2) of this section any duly certified temporary property tax credit or temporary mill levy rate reduction.

(5) Upon receipt of any tax warrant reflecting a temporary property tax credit or temporary mill levy rate reduction for any local government, the treasurer shall be responsible for collecting taxes on behalf of such local government based upon such local government's net adjusted mill levy. In addition to any other information required by section 39-10-103, the tax statement shall indicate by footnote which, if any, local government mill levies contained therein reflect a temporary property tax credit or temporary mill levy rate reduction for the purpose of effecting a refund in accordance with section 20 of article X of the state constitution.



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**Local Government Activity Calendars**

**Appendix A**

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# LOCAL GOVERNMENT BUDGET CALENDAR

The following calendar, prepared by the Division of Local Government (the "Division" or "DLG"), is a listing of the deadlines for the budget, for a local government audit and for the property tax certification process. Some deadlines are not statutory, but reflect good budgeting practices. For details on the applicable statutes listed below, please refer to the Colorado Revised Statutes ("C.R.S.").

DATE	EVENT
January 1	Start of Fiscal Year; begin planning for the budget of the next year.
January 10	Deadline for assessor to deliver tax warrant to county treasurer (39-5-129, C.R.S.)
January 31	A certified copy of the adopted budget must be filed with the Division. (29-1-113(1), C.R.S.).  <b>If a budget is not filed, the county treasurer may be authorized to withhold the local government's tax revenues.</b>
February - second week	The Division sends notification to local governments whose budgets have not been filed with the Division.
February - last week	The Division will authorize the county treasurer to withhold tax revenues until a certified copy of the budget is filed with the Division.
March 1	The U.S. Bureau of Labor Statistics releases the Consumer Price Index (the "CPI") for the Denver/Boulder area. This annual percent change is used with "local growth" to calculate "fiscal year spending" and property tax revenue limitations of TABOR. (Article X, Sec. 20, Colo. Const.)
March 31	Deadline to request exemption from audit. (29-1-604(3), C.R.S.) Contact the Local Government Audit Division, Office of the State Auditor, (303)869-2870.  The Division notifies local governments of its determination that the entity has exceeded the statutory property tax revenue limit (the "5.5%" limit).
June 30	Deadline for auditor to submit audit report to local government governing body. (29-1-606(a)(1), C.R.S.)
July 31	Deadline for submitting annual audit report to the Office of the State Auditor. (29-1-606(3), C.R.S.) Deadline for request for extension of audit. (29-1-606(4), C.R.S.)  <b>If an audit is required but has not been filed, the county treasurer may be authorized to withhold the local government's tax revenues.</b>

## LOCAL GOVERNMENT BUDGET CALENDAR, continued

DATE	EVENT
August 25	Assessors certify to all taxing entities and to the Division of Local Government the total new assessed and actual values (for real and personal property) used to compute the statutory and TABOR property tax revenue limits. (39-5-121 (2)(b) and 39-5-128, C.R.S.)  <b>If applicable, upon receipt of the Certification of Valuation, submit to the Division certifications of service impact from increased mining production and/or from increased valuation due to previously exempt federal property which has become taxable. Certifications of impact are required if the value is to be excluded from the tax revenue limit.</b>
October 15	Budget officer must submit proposed budget to the governing body. (29-1-105, C.R.S.) Governing body must publish "Notice of Budget" upon receiving proposed budget. (29-1-106(1), C.R.S.)
November 1	Deadline for submitting applications to the Division for an increased levy pursuant to 29-1-302, C.R.S. Deadline for submitting applications for exclusion of assessed valuation attributable to new primary oil or gas production as reported on the Certification of Valuation from the 5.5% limit pursuant to 29-1-301(1)(b), C.R.S.
December 10	Assessors' changes in assessed valuation will be made only once by a single notification (re-certification) to the county commissioners or other body authorized by law to levy property tax, and to the DLG. (39-1-111(5), C.R.S.)
December 15	Deadline for certification of mill levy to county commissioners (39-5-128(1), C.R.S.). Local governments levying property tax must adopt their budgets before certifying the levy to the county. If the budget is not adopted by certification deadline, then <b>90 percent</b> of the amounts appropriated in the current year for operations and maintenance expenses shall be deemed re-appropriated for the purposes specified in such last appropriation. (29-1-108(2) and (3), C.R.S.)
December 22	Deadline for county commissioners to levy taxes and to certify the levies to the assessor. (39-1-111(1), C.R.S.)
December 31	Local governments not levying a property tax must adopt the budget on or before this date; governing body must enact a resolution or ordinance to appropriate funds for the ensuing fiscal year. If the budget is not adopted by certification deadline, then <b>90 percent</b> of the amounts appropriated in the current year for operations and maintenance expenses shall be deemed re-appropriated for the budget year. (29-1-108(4), C.R.S.)



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## SPECIAL DISTRICT COMPLIANCE CALENDAR

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After organization by court order and decree, Colorado Title 32 Article 1 Special Districts have certain statutorily decreed responsibilities. These responsibilities, among others, include adopting an annual budget, holding biennial elections for directors, and compliance with the Local Government Audit Law. Detailed election requirements can be found in the Department of Local Affairs' (DOLA) Special District Election Code that is mailed to each district in January of even-numbered years. Those requirements and dates are not listed here. Discussions on budgeting, accounting and the audit are found in the Financial Management Manual available from the State Auditor's Office, (303) 866-2051.

The following can be used as a checklist for these items of compliance. The calendar is for your information only and is not to be construed as legal advice. It is a guideline and not guaranteed to be all-inclusive. Although DOLA attempts to keep districts informed of major changes in statutes, it is incumbent upon the local jurisdictions to stay current with changes in statute that may affect this calendar. If you have any questions please do not hesitate to call DOLA at (303) 866-2156.

For more information or for more DOLA technical assistance publications, see the department's web site at [www.colorado.gov](http://www.colorado.gov) and click on Data, Information and Publications.

DATE	COMPLIANCE ACTIVITY/OTHER INFORMATION
No Date- Upon Order or Decree	The organization, dissolution or boundary change (due to inclusion, exclusion or consolidation) of a district is effective only when the order or decree, together with a description of the area, is recorded by the county clerk & recorder of the county where the action took place. The clerk & recorder shall notify the county assessor and a <b>certified</b> copy of such notice shall also be filed with the Division by the clerk & recorder. C.R.S. § 32-1-105
No Date- Upon Request	A board of county commissioners, or governing body of a municipality within whose boundaries a district is located may request a district to file, not more than once a year, an annual report. The report shall be filed with the board of county commissioners, any municipality in which the special district is wholly or partially located, the Division of Local Government and the State Auditor, and shall be deposited with the county clerk and recorder for public inspection. The report shall be made available by the special district to any interested party (pursuant to section 32-1-207(3)(c), C.R.S.) The report shall include, but not be limited to, information on the progress of the special district in the implementation of the service plan. If the district fails to submit the requested annual report within nine months of the date of the request, the board of county commissioners or the governing body of any municipality in which the district is located may notify any county treasurer holding moneys of the district to prohibit release of such moneys until the report is submitted. C.R.S. § 32-1-209

## SPECIAL DISTRICT COMPLIANCE CALENDAR, continued

<u>DATE</u>	<u>COMPLIANCE ACTIVITY/OTHER INFORMATION</u>
No Date – Upon Occurrence	The board of directors of a district must notify the board of county commissioners of any alteration of the proposed debt issuance schedule in the service plan. C.R.S. § 32-1-202(2)(b)
Within 45 Days After an Election	The results of special district ballot issue elections to incur general obligation indebtedness shall be certified by the special district by registered mail to the board of county commissioners of each county in which the special district is located or to the governing body of a municipality that has adopted a resolution of approval for organization to the special district. The special district shall file a copy of any certification with the Division of Securities (1580 Lincoln Street, Suite 420, Denver, Co., 80203, 303-984-2320 C.R.S. § 32-1-1101.5(1)
Within 30 Days After Any Election	The results of special district election shall be certified to the division of local government within thirty (30) days after the election. If an election is canceled, the notice and a copy of the resolution of cancellation shall be filed with the division of local government. C.R.S. § 1-11-103(3)
January 1	Start of fiscal budget year; recommend beginning to plan for the budget of the next year. See C.R.S. § 29-1-101 and following sections regarding the information required in a budget. Contact Division of Local Government for assistance. C.R.S. § 29-1-101 Deadline to file a current, accurate map of district boundaries prepared according to Division standards with the county assessor and the Division. (For map specification information, call Marv Koleis, at (303) 273-1802, Division of Local Government.) C.R.S. § 32-1-306
January 15	Deadline for district to notify the Division, and the county commissioners, the county assessor, county treasurer, and clerk & recorder of each county in which the district is located and the governing body of any municipality, the chairman of the board, the contact person, the telephone number, and the business address of the district. If such persons and address are not located within the district, the district must notify the county clerk & recorder(s) and the municipal governing body of the name, address and telephone number of a contact person within the district. C.R.S. § 32-1-104(2)

## SPECIAL DISTRICT COMPLIANCE CALENDAR, continued

DATE	COMPLIANCE ACTIVITY/OTHER INFORMATION
January 31	<p>A certified copy of the adopted budget for the current fiscal year must be filed with the Division no later than this date. A sample copy can be found in the Financial Management Manual. The Resolution to Adopt the Budget, the Resolution to Set Mill Levies and the Resolution to Appropriate Funds should accompany the certified budget.</p> <p>C.R.S. § 29-1-113(1)</p>
	<p><b>Penalty: Division can request County Treasurers to withhold collected tax revenues if budget is not filed.</b></p> <p>C.R.S. § 29-1-113(1)</p>
February 1	<p>Deadline for district to file with Division of Local Government an updated list of all contracts in effect with other political subdivisions (intergovernmental agreements).</p> <p>C.R.S. § 29-1-205</p>
February (First Tuesday After First Monday)	<p>Special Election may be held questions.</p> <p>C.R.S. § 32-1-103(21)</p> <p>Non-TABOR ballot questions may be referred to the voters.</p> <p>C.R.S. § 32-1-805(2)</p>
March 1	<p>If a special district has securities outstanding which are non-rated and which were issued to the public, for an amount of not less than \$1 million, and for a term of more than one year payable beyond the next year, then that district must file an annual report on form DLG 30 with the Division. This report must be filed within sixty days following the end of the fiscal year.</p> <p>C.R.S. § 11-58-105</p>
March 31	<p>Deadline for qualifying entities to request exemption from audit from State Auditor. For information call Local Government Audits, Office of State Auditor, at (303) 866-2051.</p> <p>C.R.S. § 29-1-604(3)</p>
May (First Tuesday After First Monday)	<p>Regular Election must be held in even-numbered years.</p> <p>Special Election may be held.</p> <p>C.R.S. § 32-1-103(17)(21)</p> <p>In odd-numbered years, non-TABOR ballot questions may be referred to voters.</p> <p>C.R.S. § 32-1-805(2)</p>



## SPECIAL DISTRICT COMPLIANCE CALENDAR, continued

<u>DATE</u>	<u>COMPLIANCE ACTIVITY/OTHER INFORMATION</u>
June (First Week)	Originally signed oath of office and bond (public officials performance bond) must be filed with district court clerk within thirty (30) days of the election and a copy of each filed with the Division after the regular election. See C.R.S. § 32-1-901 for bond amounts for Treasurer and other directors. C.R.S. § 32-1-901 Certification of Election Results are due to the division within thirty (30) days of the election. C.R.S. § 1-11-103(3)
June 30	Statutory deadline for auditor to submit audit report to special district governing board. C.R.S. § 29-1-606(1)(a)
July 31	Deadline for submitting annual audit report to State Auditor. Audit must be forwarded to State Auditor's Office within thirty (30) days of receipt from auditor. C.R.S. § 29-1-606 (3)
	<b>PENALTY: If an audit is not filed (when an exemption has not been granted) the county treasurer may be ordered to withhold your property tax revenues.</b> <b>C.R.S. § 29-1-606(5)(a)(I) and (II)</b>
August 25	Deadline for assessors to certify to all taxing entities and to the Division the total assessed valuation and real property values of all taxable property and the amounts for the various factors used to compute the statutory property tax revenue limit and constitutional property tax revenue limit. C.R.S. § 39-5-128
October (First Tuesday After First Monday)	Special Election may be held. C.R.S. § 32-1-103(21) Non-TABOR ballot questions may be referred to the voters. C.R.S. § 32-1-805(2)
Before October 15	The board of directors must designate or appoint a person to prepare the budget. This may be a member of the board (for example, the treasurer) or a non-board member. C.R.S. § 29-1-104



## SPECIAL DISTRICT COMPLIANCE CALENDAR, continued

DATE	COMPLIANCE ACTIVITY/OTHER INFORMATION
October 15	<p>Statutory deadline for budget officer to submit proposed budget to board of directors.</p> <p>C.R.S. § 29-1-105</p> <p>"Notice of Budget" to be published upon board's receipt of proposed budget.</p> <p>C.R.S. § 29-1-106</p> <p>Notice must state that the budget is open for inspection by the public at a designated office, give the date and time of the budget hearing and state that any interested elector may file objections to it any time prior to its adoption. For districts with a total annual budget of less than \$50,000, posting of Notice in three public places is permitted in lieu of publication.</p> <p>C.R.S. § 29-1-106(3)(b)</p> <p>See C.R.S. § 29-1-103, for budget content and format requirements. Contact the Division for further information and assistance in order to be in compliance with the budget law.</p>
November Every Year (First Tuesday Of Odd Years and After First Monday Of Even Years)	<p>Special Election may be held.</p> <p>C.R.S. § 32-1-103 (21)</p> <p>TABOR and non-TABOR ballot questions may be referred to the voters.</p> <p>C.R.S. § 32-1-805(2)</p>
December (First Tuesday After First Monday)	<p>Special Election may be held.</p> <p>C.R.S. § 32-1-103(21)</p> <p>Non-Tabor ballot questions may be referred to the voters.</p> <p>C.R.S. § 32-1-805(2)</p>
December 10	<p>Any changes in assessed valuation will be made by the assessors only once by a single notification to the district.</p> <p>C.R.S. § 39-1-111(5)</p>
December 10-15	<p>If necessary, schedule special meeting to recertify levy if assessed valuation has changed.</p>

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## SPECIAL DISTRICT COMPLIANCE CALENDAR, continued

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<u>DATE</u>	<u>COMPLIANCE ACTIVITY/OTHER INFORMATION</u>
December 15	Deadline for certification of mill levies to the board of county commissioners. C.R.S. § 39-5-128 (1) Note: Districts levying a property tax must adopt their budgets before certifying levies to the county. C.R.S. § 29-1-108(2)
	<b>PENALTY: If the budget is not adopted by certification deadline, 90% of the amounts appropriated for operating and maintenance expenses in the current fiscal year shall be deemed reappropriated.</b> <b>C.R.S. § 29-1-108(3)</b>
December 22	Deadline for county commissioners to levy against the assessed valuation of all taxable property the necessary taxes for all legal purposes of local governments. C.R.S. § 39-1-111(1)
December 31	Districts not levying property tax must adopt budget by this date. C.R.S. § 29-1-108 By this date board shall enact "Resolution to Appropriate Funds" for ensuing fiscal year. C.R.S. § 29-1-108(4)
	<b>PENALTY: District restricted to 90% of its current year's appropriation for operation and maintenance expenses if board fails to enact a resolution to make appropriations by this date.</b> <b>C.R.S. § 29-1-108(4)</b>

**NOTE: If a district:**

**Does not conform to the requirements to adopt a budget for two consecutive years, or**

**Has failed to hold or properly cancel a regular special district election, or**

**Has failed to provide the service(s) or facilities it is supposed to provide for two consecutive years, or**

**Has failed to submit to an audit (or be granted exemption from audit) for two consecutive years;**

**Division of Local Government will start procedures to administratively dissolve the district.**

**C.R.S. § 32-1-710**

DOLA REVISED 5/23/02

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**Application for Exemption from Audit**

**Appendix B**

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## Applying for Exemption from Audit

### Introduction

Following are general reporting guidelines and instructions developed to help the user complete the Application for Exemption. See information regarding the **NEW Exemption form** on page 2 of these instructions.

### New Reporting Requirements

#### State Requirements

The Local Government Division of the Office of the State Auditor is now requiring that all local governments that submit an Application for Exemption from Audit send in **one copy of the Application with the original**. This is effective for fiscal years starting after December 31, 2002.

#### Important Information that Local Governments should know.

The Governmental Accounting Standards Board (GASB) has changed the way that financial statements should be prepared and presented. All local governments are required to implement the new **GASB 34** Standard. See the Current Developments and Accounting, Auditing, Financial Reporting section of the *Financial Management Manual* to get more information about this Standard.

### GASB Requirements

The effective date of **GASB 34** is dependent upon the governments' total annual revenues in the fiscal year ending after June 15, 1999. Once total revenues are calculated for the government, the following chart should be used to determine the effective date for the government.

Total Revenues	Effective Date Periods beginning after:
\$100 million or more	June 15, 2001
Between \$10 and \$100 million	June 15, 2002
\$10 million and below	June 15, 2003

**GASB 34** requires each local government to capitalize all future infrastructure acquisitions as of the above effective dates (prospective reporting). However, different effective dates have been provided for the retroactive reporting of infrastructure assets, as follows:

Total Revenues	Effective Date Periods beginning after:
\$100 million or more	June 15, 2005
Between \$10 and \$100 million	June 15, 2006
Below \$10 million	Not Required to Report Retroactively



## General Reporting Guidelines

To ensure uniformity of financial reporting throughout the State, the Application for Exemption from Audit form **MUST** be used. The Office of the State Auditor does not allow separate financial information to be substituted for the financial sections of the Application.

The **only** exceptions will be for budget and debt information. A budget to actual statement may be substituted for budget information required on question 8 of the Application. In addition, debt service payment schedules for bonds issued are still required to be submitted with the Application.

The modified accrual basis of accounting **MUST** be used for reporting financial information for **all funds** of the entity. Under the modified accrual basis, revenue is recognized when measurable and available and expenditures are recognized in the accounting period in which the related liability is incurred. The Application forms have been designed to facilitate the use of this basis of accounting for proprietary and similar trust funds. For more information about the modified accrual basis of accounting, see the Uniform Classification of Accounts (Appendix E) and the Glossary (Appendix F) of the *Financial Management Manual*.

The implementation of GASB 34 requires that local governments **prepare government-wide financial statements** using the full accrual basis of accounting. Local governments will also prepare fund financial statements similar to the format currently used.

## Financial Section

### NEW Exemption Form

We have completed the NEW Exemption form. Two financial forms will now be available. One is a **short form** specifically directed towards those governments that have less than \$100,000 in total revenues or total expenditures. The **long form** is designed for governments that have total revenues or total expenditures between \$100,000 to \$300,000.

The difference between the two forms is the financial section. The financial section for the **short form** is designed for smaller governments and has been revised to be more generic. We have also added columns on this form which include symbols that should help the preparer when calculating the form. Each line of each financial form is numbered.

The questions on the form have been revised.

### General Information

The financial sections of the Application form are similar to general purpose financial statements required by governmental accounting and financial reporting principles. The balance sheet should be used to record all assets, liabilities, and equity for all funds and account groups. In addition, the two operating statements on the **long form** combine the reporting of revenues and expenditures/expenses for the following specific types of fund groups. (There is only one operating statement provided for the **short form**.)

- ▶ governmental and expendable trust funds.

- proprietary, non-expendable and pension trust funds.

For example, a town with governmental (general, special revenue, etc) **and** proprietary (enterprise and internal service) funds would record revenues and expenditures/expenses in both operating statements. Be sure that the type of fund (e.g. general) is designated in the column heading at the top of each page. If the entity has only one fund, only the appropriate operating statement should be used. To determine if the entity qualifies for exemption from audit, ALL revenues and expenditures/expenses of ALL funds should be totaled.

For more information about fund types and account groups, see the Accounting section of the *Financial Management Manual*.

The forms on this application have been designed to **balance**, similar to the balance sheet and operating statements of general purpose financial statements. The December 31 fund balance or retained earnings balance of the operating statements must be transferred to the fund balance or retained earnings line item(s) of the balance sheet. The total of liabilities and equity should equal total assets. The lines of the financial section of the application have been numbered, therefore, balancing the financial statements should become easier.

As stated previously, columns have been added to the **short form**. These columns, which are located on the far left of the **short form**, include symbols which should help the preparer understand the calculations and should be followed from right to left.

**GASB 34** requires that government-wide financial statements consist of the statement of net assets and the statement of activities.

In addition, under **GASB 34** there are **three fund types** which include governmental, proprietary, and fiduciary fund type. The governmental fund type includes the general, special revenue, capital projects, debt service, and permanent funds.

The proprietary fund type includes the enterprise and internal service funds.

The fiduciary fund type includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds.

**Account groups no longer exist** with the implementation of **GASB 34**.

Since the modified accrual basis of accounting is required to be used on this application, reconciling items as listed below are included on the **long form** proprietary operating statement to produce the correct ending retained earnings balance for the **long form** balance sheet. The following areas apply to the **long form** operating statement.

#### ► **Other Financing Sources and/or Uses**

Not all increases or decreases in resources are classified as revenues or expenditures. Below are some items that are considered as Other Financing Sources and/or Uses.

#### ***Development Fees***

Fees that are assessed to help defray a portion of the costs that result from increased development.

### ***Sale of Fixed Assets***

The amount at which fixed assets are sold.

### ***Debt Proceeds***

The amount of proceeds received from issuing debt.

### ► **Depreciation**

This is an expense that results from the use of long-lived assets. When using the modified accrual basis of accounting, depreciation should not be recorded as an expenditure/expense.

### ► **Capital Outlay**

Total cost of resources used to purchase capital assets.

### ► **Debt Principal**

The amount that is paid to reduce the original amount owed, not including interest.

31 for governments with a December 31 fiscal year-end.)

**Q. Can the local government obtain an EXTENSION OF TIME to file an Application for Exemption from Audit?**

**A. No.** The Office of the State Auditor does not have statutory authority to grant an extension of time for filing an Application for Exemption from Audit.

## **General Instructions**

1. **Exemptions from audit are not automatic.** Every year, in order to be exempt from audit, the local government must complete an Application for Exemption from Audit and submit it to the Office of the State Auditor. Exemption from audit is only granted upon the review and approval of the Office of the State Auditor.
2. **The Application must be filed with the Office of the State Auditor within three months after the end of the fiscal year.** (No later than March

3. **The appropriate version of the Application for Exemption from Audit must be used.** The Office of the State Auditor will distribute the Application forms to previous applicants before the end of each calendar year. In addition, the Application form in paper or word processing formats is accessible through the Internet at **<http://www.state.co.us/auditor>**. If the government does not have access to the Internet, most local libraries offer this service.
4. **The Application must be fully completed.**
5. **ORIGINAL SIGNATURES must be present on page Signatures 2 for the majority of the members on the government's governing body.** (NOTE: Photocopied signatures **will not** be accepted.) However, a photocopy for the **preparer's signature** will be accepted.
6. **The local government must file the original and one copy of the Application with the Office of the State Auditor and keep one copy for its files.**



The Office of the State Auditor will forward a copy of the Application to the Department of Local Affairs. In addition, copies of conservation districts' Applications are forwarded to the Conservation Board.

**Mail one copy and the original of the Application for Exemption form to:**

Office of the State Auditor  
Local Government Division  
Legislative Services Building  
200 E. 14th Avenue  
Denver, CO 80203 - 2211

## **Tips on Completing the Application**

### **1. TABOR**

Local governments are subject to Article X, Section 20 of the State Constitution, otherwise known as the Taxpayer's Bill of Rights (TABOR). However according to TABOR's provisions, governments that meet TABOR's definition of an "enterprise" are exempt from TABOR.

TABOR also requires governments to establish an emergency reserve of 3 percent or more of its fiscal year spending. Governments subject to TABOR should report their emergency reserve on the balance sheet of the Application. Also, governments should indicate whether they believe they are in compliance with TABOR provisions on question 13 of the Application. An election to exempt the entity from the spending limitation requirement does not exempt the entity from the 3 percent emergency reserve requirement.

If the local government is unsure whether it is subject to TABOR provisions, legal counsel should be consulted.

For more information regarding TABOR, see the TABOR section and Budget chapter in the *Financial Management Manual*.

### **2. Interfund transfer information**

Interfund transfers occur when the government transfers financial resources from one fund to another. Transfers are not considered revenues or expenditures, therefore they **should not** be included for determining exemption from audit status, but should be included on the **long form** operating statements..

### **3. Dissolving entity**

For those entities that are in the process of dissolution, an Application for Exemption from Audit or an audit must be submitted to the Office of the State Auditor for all activities until the final dissolution date.

### **4. Information resource**

For additional information such as definitions of fund types and general accounting assistance, refer to the Accounting, Auditing, and Financial Reporting chapter and the Uniform Classification of Accounts (Appendix E) of the *Financial Management Manual* or call the Local Government Division of the Office of the State Auditor at 303/869-2870. In addition, the Application form in paper or word processing formats is accessible through the Internet at <http://www.state.co.us/auditor>.



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*State of Colorado*  
*Financial Management Manual*  
*A Guide for Colorado Local Governments*

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**Budget Sample Documents**

**Appendix C**

<b>Notice of Budget</b> .....	C-1
<b>Letter of Budget Transmittal</b> (Form DLG 54) .....	C-2
<b>Budget Message</b> .....	C-3
<b>Resolution/Ordinance to Adopt Budget</b> .....	C-4
<b>Resolution/Ordinance to Set Mill Levies</b> .....	C-5
<b>Resolution/Ordinance to Appropriate Sums of Money</b> .....	C-7
<b>Lease-Purchase Supplemental Schedule to the Adopted Budget</b> ..	C-8
<b>Property Tax Revenue Limit Calculations Worksheet</b> .....	C-9
<b>TABOR Fiscal Year Spending Worksheet</b> .....	C-13
<b>Certification of Tax Levies</b> (Form DLG 70) .....	C-14
<b>Resolution/Ordinance for Budgetary Transfers</b> .....	C-16
<b>Resolution/Ordinance for Supplemental Budget and Appropriation</b> .....	C-17
<b>Resolution/Ordinance for Budget Contingency</b> .....	C-18
<b>Certification of Change in Services or Increase in Level of Services Due to Increased Volume of Production From a Producing Mine</b> (Form DLG 52) .....	C-19

# **Budget Sample Documents**

## **Appendix C**

<b>Certification of Increase in Level of Services Due to Previously Legally Exempt Federal Property Which Has Become Taxable</b> (Form DLG 52A) .....	C-20
<b>Application for Exclusion From the 5.5% of Assessed Valuation Attributable to New Primary Oil or Gas Production</b> (Form DLG 52B) .....	C-21
<b>Application for County to Exceed the Statutory Mill Levy Limit for the Social Services Fund</b> .....	C-24
<b>Budget Sample</b> .....	C-25

# **SAMPLE**

## **NOTICE OF BUDGET** (Pursuant to 29-1-106, C.R.S.)

NOTICE is hereby given that a proposed budget has been submitted to the \_\_\_\_\_  
(name of governing body)  
for the ensuing year of 20\_\_\_\_; a copy of such proposed budget has been filed in the office  
of \_\_\_\_\_, where the same is open for public inspection; such proposed  
(unit of government)  
budget will be considered at \_\_\_\_\_ meeting of the \_\_\_\_\_  
(specify whether a regular or special) (name of governing body)  
to be held at \_\_\_\_\_ on \_\_\_\_\_ at \_\_\_\_\_.  
(location and address) (specify the date) (specify the time)  
Any interested elector of \_\_\_\_\_ may inspect the proposed budget and file  
(name of unit of local government)  
or register any objections thereto at any time prior to the final adoption of the budget.

If a government's budget is greater than \$50,000, the Notice of Budget must be published one time in a newspaper having general circulation in the local government. If the budget is \$50,000 or less, the Notice may be posted in three public places in the local government. (29-1-106(3), C.R.S.)

## LETTER OF BUDGET TRANSMITTAL

**THIS FORM IS TO BE COMPLETED AND SUBMITTED WITH THE ADOPTED BUDGET NO LATER THAN JANUARY 31.**

To: Division of Local Government  
1313 Sherman Street, Room 521  
Denver, Colorado 80203

Date: \_\_\_\_\_

Attached is a copy of the 20\_\_\_\_ budget for \_\_\_\_\_  
(name of local government)  
in \_\_\_\_\_ County, submitted pursuant to Section 29-1-113, C.R.S. This budget  
was adopted on \_\_\_\_\_. If there are any questions on the budget, please  
contact \_\_\_\_\_ at \_\_\_\_\_, and \_\_\_\_\_.  
(name of person) (daytime phone) (mailing address)

I, \_\_\_\_\_, \_\_\_\_\_,  
(name) (title)  
hereby certify that the enclosed is a true and accurate copy of the \_\_\_\_\_ Adopted Budget.  
(year)

Form DLG 54



**SAMPLE**  
**BUDGET MESSAGE**  
(Pursuant to 29-1-103(1)(e), C.R.S.)

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**Name of Local Government**

**(INSTRUCTIONS: Pursuant to section 29-1-103(1)(e), C.R.S., the budget must include the Budget Message. Fill in blank spaces and check any items that are applicable.)**

The attached 20\_\_ Budget for \_\_\_\_\_ includes these *important features*:\*  
**(name of local government)**

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\* "*important features*" are not defined in statute; however, important features of the budget would include starting/ending a service; increases or decreases in levels of services; increases/decreases to revenues (taxes rates) and/or expenditures; acquisition of new equipment; start or end of capital project; etc.

The budgetary basis of accounting timing measurement method used is:

- ☐ Cash basis
- ☐ Modified accrual basis
- ☐ Encumbrance basis
- ☐ Accrual

The services to be provided/delivered during the budget year are the following: \_\_\_\_\_

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**SAMPLE**  
**RESOLUTION/ORDINANCE TO ADOPT BUDGET**

(Pursuant to 29-1-108, C.R.S.)

A RESOLUTION/AN ORDINANCE SUMMARIZING EXPENDITURES AND REVENUES FOR EACH FUND AND ADOPTING A BUDGET FOR THE \_\_\_\_\_

**(unit of local government)**

COLORADO, FOR THE CALENDAR YEAR BEGINNING ON THE FIRST DAY OF JANUARY, 20\_\_\_\_, AND ENDING ON THE LAST DAY OF DECEMBER, 20\_\_\_\_.

WHEREAS, the \_\_\_\_\_ of \_\_\_\_\_ has appointed  
**(governing body)** **(unit of government)**

\_\_\_\_\_ to prepare and submit a proposed budget to said  
**(name and title of person)**  
governing body at the proper time; and

WHEREAS, \_\_\_\_\_ has submitted a proposed budget to this governing  
**(name and title of person)**  
body on \_\_\_\_\_, 20\_\_\_\_, for its consideration, and;  
**(month and day)**

WHEREAS, upon due and proper notice, published or posted in accordance with the law, said proposed budget was open for inspection by the public at a designated place, a public hearing was held on \_\_\_\_\_, 20\_\_\_\_, and interested taxpayers were given the opportunity to file or register any objections to said proposed budget, and;

WHEREAS, whatever increases may have been made in the expenditures, like increases were added to the revenues or planned to be expended from reserves/fund balances so that the budget remains in balance, as required by law.

NOW, THEREFORE, BE IT RESOLVED BY THE \_\_\_\_\_ of the  
**(governing body)**  
\_\_\_\_\_, Colorado:  
**(unit of government)**

Section 1. That the budget as submitted, amended, and summarized by fund, hereby is approved and adopted as the budget of the \_\_\_\_\_ for the year stated above.

**(unit of government)**

Section 2. That the budget hereby approved and adopted shall be signed by \_\_\_\_\_  
\_\_\_\_\_ and made a part of the public records of the County/City/  
**(title of officials required to sign)**  
Town/District.

ADOPTED, this \_\_\_\_\_ day of \_\_\_\_\_, A.D., 20\_\_\_\_

Attest: \_\_\_\_\_  
**(Official's signature and title)** **(Official's signature and title)**

**SAMPLE**  
**RESOLUTION/ORDINANCE TO SET MILL LEVIES**

(Pursuant to 39-5-128, C.R.S. and 39-1-111, C.R.S.)

A RESOLUTION / AN ORDINANCE LEVYING PROPERTY TAXES FOR THE YEAR 20\_\_\_\_,  
TO HELP DEFRAY THE COSTS OF GOVERNMENT FOR THE \_\_\_\_\_,

**(unit of government)**

COLORADO, FOR THE 20\_\_\_\_ BUDGET YEAR.

WHEREAS, the \_\_\_\_\_ of the \_\_\_\_\_, has adopted the annual  
**(governing body)** **(unit of government)**  
budget in accordance with the Local Government Budget Law, on \_\_\_\_\_, 20\_\_\_\_ and;

WHEREAS, the amount of money necessary to balance the budget for **general operating** purposes from  
property tax revenue is \$ \_\_\_\_\_, and;

WHEREAS, the \_\_\_\_\_ finds that it is required to **temporarily** lower the general  
**(unit of government)**  
operating mill levy to render a refund for \$ \_\_\_\_\_, and:

WHEREAS, the amount of money necessary to balance the budget for **capital expenditure** purposes  
from property tax revenue approved by voters or at public hearing is \$ \_\_\_\_\_,  
and;

WHEREAS, the amount of money necessary to balance the budget for voter-approved **bonds and**  
**interest** is \$ \_\_\_\_\_, and;

WHEREAS, the 20\_\_\_\_, valuation for assessment for the \_\_\_\_\_ as  
**(unit of government)**  
certified by the County Assessor(s) is \$ \_\_\_\_\_.

NOW, THEREFORE, BE IT RESOLVED/ORDAINED BY THE \_\_\_\_\_  
**(governing body)**

OF THE \_\_\_\_\_, COLORADO:  
**(unit of government)**

Section 1. That for the purpose of meeting all **general operating** expenses of the \_\_\_\_\_  
**(unit of government)**  
during the 20\_\_\_\_ budget year, there is hereby levied a tax of \_\_\_\_\_ mills upon each dollar of the total  
valuation for assessment of all taxable property within the \_\_\_\_\_ for the year  
20\_\_\_\_. **(unit of government)**

Section 2. That for the purpose of rendering a refund to its constituents during budget year 20\_\_\_\_, there  
is hereby levied a **temporary tax credit/mill levy reduction** of \_\_\_\_\_ mills.

**SAMPLE**  
**RESOLUTION/ORDINANCE TO SET MILL LEVIES - Con't.**

Section 3. That for the purpose of meeting all **capital expenditures** of the \_\_\_\_\_  
(unit of government)  
during the 20\_\_\_\_ budget year, there is hereby levied a tax of \_\_\_\_\_mills upon each dollar of the  
total valuation for assessment of all taxable property within the \_\_\_\_\_ for the  
year 20\_\_\_\_.  
(unit of government)

Section 4. That for the purpose of meeting all payments for **bonds and interest** of the \_\_\_\_\_  
\_\_\_\_\_ during the 20\_\_\_\_ budget year,  
(unit of government)

there is hereby levied a tax of \_\_\_\_\_ mills upon each dollar of the total valuation for assessment of all taxable property within the County/City/Town/District for the year 20\_\_\_\_.

Section 5. That the \_\_\_\_\_ is hereby authorized and directed to immediately  
(official's title)  
certify to the County Commissioners of \_\_\_\_\_ County(s), Colorado, the mill  
levies for the \_\_\_\_\_ as hereinabove determined and set, or be authorized and  
(unit of government)

directed to certify to the County Commissioners of \_\_\_\_\_ County(s), Colorado, the mill levies for the \_\_\_\_\_ as hereinabove determined and set, but as  
(unit of government)

recalculated as needed upon receipt of the final (December) certification of valuation from the county(s) assessor(s) in order to comply with any applicable revenue and other budgetary limits.

ADOPTED this \_\_\_\_\_ day of A.D. 20\_\_.

Attest: \_\_\_\_\_

(Officials' signatures and titles)



(Pursuant to Section 29-1-108, C.R.S.)

(unit of government)

WHEREAS, the \_\_\_\_\_ has adopted the annual budget in accordance  
(governing body)

WHEREAS, the \_\_\_\_\_ has made provision therein for revenues in an  
(governing body)

WHEREAS, it is not only required by law, but also necessary to appropriate the revenues and reserves or fund balances provided in the budget to and for the purposes described below, thereby establishing a limitation on expenditures for the operations of the \_\_\_\_\_.

(unit of government)

NOW, THEREFORE, BE IT RESOLVED/ORDAINED BY THE \_\_\_\_\_ OF THE \_\_\_\_\_, COLORADO:

(unit of government) (governing body)

GENERAL FUND:

Current Operating Expenses	\$ _____
Capital Outlay	\$ _____
Debt Service	\$ _____
<b>L GENERAL FUND</b>	<b>\$ _____</b>

(List all funds or spending agencies by name and give breakdown as shown above.)

ADOPTED THIS \_\_\_\_\_ day of \_\_\_\_\_, A.D. 20\_\_\_\_.

(Officials' signatures and titles)

Attest: \_\_\_\_\_  
(Official's signature and title)

NOTE: The abbreviated General Fund appropriations shown above assume a small government and uncomplicated operation. In the case of larger governments, the appropriations can be designed by spending agencies in major functions, such as General Government, Public Safety, Enterprise, etc. These functions can also be subdivided. For example:

Public Safety  
Police  
Fire  
Correction  
Protective Inspection

Enterprise  
Water  
Sewer  
Electrical

In certain instances a governing body may want to appropriate in even greater detail, but this is a management decision that must be tailored to the specific needs and desires of an individual government as expressed by its governing body in such a decision.

## SAMPLE FORM

### LEASE-PURCHASE SUPPLEMENTAL SCHEDULE TO THE ADOPTED BUDGET

(Pursuant to 29-1-103(3)(d), C.R.S.)

**Budget Year 20**\_\_\_\_\_

The Supplemental Schedule must present information **separately** for all lease-purchase agreements involving real property and all lease-purchase agreements for non-real property.

#### I. REAL PROPERTY LEASE-PURCHASE AGREEMENTS:

**Description of Real Property Lease-Purchase(s):** \_\_\_\_\_  
\_\_\_\_\_

**Date of Lease-Purchase Agreement(s):** \_\_\_\_\_

	<u>Year</u>	<u>Amount</u>
Total amount to be expended for all Real Property Lease-Purchase Agreements in Budget Year:	20__	\$_____

Total maximum payment liability for all Real Property Lease Purchase Agreements over the entire terms of all such agreements, including all optional renewal terms: \$\_\_\_\_\_

#### II. ALL LEASE- PURCHASE AGREEMENTS NOT INVOLVING REAL PROPERTY:

**Description of Lease-Purchase Item(s):** \_\_\_\_\_  
\_\_\_\_\_

**Date(s) of Lease-Purchase Agreement(s):** \_\_\_\_\_

	<u>Year</u>	<u>Amount</u>
Total amount to be expended for all Non-Real Property Lease Purchase Agreements in Budget Year:	20__	\$_____

Total maximum payment liability for all Non-Real Property Lease Purchase Agreements over the entire terms of all such agreements, including all optional renewal terms: \$\_\_\_\_\_

Does the agreement include renewal options? Yes \_\_\_\_\_ No \_\_\_\_\_  
If yes, describe: \_\_\_\_\_  
\_\_\_\_\_

# PROPERTY TAX REVENUE LIMIT CALCULATIONS WORKSHEET

("5.5%" limit in 29-1-301, C.R.S., and the TABOR limits, Art. X, Sec. 20(4)(a) and (7)(c), Colo. Const.)

The following worksheet can be used to calculate the limits on local government property tax revenue. Data can be found on the Certification of Valuations (CV) sent by the county assessor on August 25 of each year, unless otherwise noted. (**Note for multi-county entities:** If a taxing entity is located in two or more counties, the mill levy for that entity must be the same throughout its boundaries, regardless of county boundaries (Uniform Taxation, Article X, Section 3, Colo. Const.). This worksheet can be used by multi-county entities when the values of the same type from all counties are added together.)

## Data required for the "5.5%" calculation (assessed valuations):

Previous year's <b>net</b> total assessed valuation <sup>1</sup>	\$ _____
Previous year's revenue <sup>2</sup>	\$ _____
Current year's total <b>net</b> assessed valuation	\$ _____
Current year's increases in valuation due to annexations or inclusions, if any	\$ _____
Current year increase in valuation due to new construction, if any	\$ _____
Total current year increase in valuation due to other excluded property <sup>3</sup>	\$ _____
"Omitted Property Revenue" from <u>current year</u> CV <sup>4</sup>	\$ _____
"Omitted Property Revenue" from <u>previous year</u> CV <sup>5</sup>	\$ _____
Current year's "unauthorized excess revenue," if any <sup>6</sup>	\$ _____

## Data required for the TABOR calculation (actual valuations):

0. Total actual value of all real property	\$ _____
1. Construction of taxable real property	\$ _____
2. Annexations/Inclusions	\$ _____
3. Increase in mining production	\$ _____
4. Previously exempt property	\$ _____
Oil or gas production from new wells	\$ _____
5. Taxable property omitted (from current year's CV)	\$ _____
6. Destruction of property improvements	\$ _____
7. Disconnections/Exclusions	\$ _____
8. Previously taxable property	\$ _____
9. Inflation _____ % (The U.S. Bureau of Labor Statistics will release the Consumer Price Index (CPI) number for the Denver-Boulder-Greeley area, in late February of next year. Forecasts may be obtained by contacting the Division of Local Government (DLG) at (303)866-2156 or at the website: <a href="http://www.dola.state.co.us">www.dola.state.co.us</a> .)	

<sup>1</sup> There will be a difference between **net** assessed valuation and **gross** assessed valuation only if there is a "tax increment financing" entity, such as a Downtown Development Authority or Urban Renewal Authority, within the boundaries of the jurisdiction.

<sup>2</sup> For the "5.5%" limit only (Part A of this Form), this is the lesser of: (a) the total amount of dollars levied for general operating purposes on the net assessed valuation before deducting any Temporary Tax Credit [if Form DLG 70 was used to certify levies in the previous year, this figure is on line 1.], or (b) last year's "5.5%" revenue limit.

<sup>3</sup> Increased production of a producing mine, previously exempt federal property, or new primary oil or gas production from any oil and gas leasehold or land. **NOTE: These values may not be used in this calculation until certified to, or applied for, by filing specific forms with the Division of Local Government** [forms can be found in the *Financial Management Manual*, published by the State Auditor's Office or contact the **Division of Local Government**].

<sup>4</sup> Taxes paid by properties which had been previously omitted from the tax roll. This is identified on the CV as "**taxes collected last year on omitted property as of Aug. 1**".

<sup>5</sup> This figure is available on the CV which you received from the assessor last year.

<sup>6</sup> This applies only if DLG issued in the spring of the current year an "Order" to reduce next year's property tax revenue, pursuant to 29-1-301(6), C.R.S.

**A. Steps to calculate the "5.5%" Limit** (refer to numbered lines on the previous page):

A1. Adjust the previous year's revenue to correct the revenue base, if necessary:

$$\frac{\$ \text{Line 2}}{\text{Line 2}} + \frac{\$ \text{Line 8}}{\text{Line 8}} = \$ \text{Adjusted property tax revenue base}$$

A2. Calculate the previous year's tax rate, based upon the adjusted revenue base:

$$\frac{\$ \text{Line A1}}{\text{Line A1}} \div \frac{\$ \text{Line 1}}{\text{Line 1}} = \text{Adjusted Tax Rate } ^7$$

A3. Total the assessed valuation of all the current year "growth" properties: <sup>8</sup>

$$\frac{\$ \text{Line 4}}{\text{Line 4}} + \frac{\$ \text{Line 5}}{\text{Line 5}} + \frac{\$ \text{Line 6}}{\text{Line 6}} = \$ \text{Total "growth" properties}$$

A4. Calculate the revenue that "growth" properties would have generated:

$$\frac{\$ \text{Line A3}}{\text{Line A3}} \times \frac{\$ \text{Line A2}}{\text{Line A2}} = \$ \text{Revenue from "growth" properties } ^9$$

A5. Expand the adjusted revenue base (Line A1) by the "revenue" from "growth" properties:

$$\frac{\$ \text{Line A4}}{\text{Line A4}} + \frac{\$ \text{Line A1}}{\text{Line A1}} = \$ \text{Expanded revenue base}$$

A6. Increase the Expanded Revenue Base (Line A5) by allowable amounts:

$$\left[ \frac{\$ \text{Line A5}}{\text{Line A5}} \times 1.055 \right]^{10} + \frac{\$ \text{Voter-Approved Revenue Increase } ^{11}}{\text{Voter-Approved Revenue Increase } ^{11}} + \frac{\$ \text{DLG-Approved Revenue Increase}}{\text{DLG-Approved Revenue Increase}} = \$ \text{Increased Revenue Base}$$

A7. Current Year's "5.5%" Revenue Limit:

$$\frac{\$ \text{Line A6}}{\text{Line A6}} - \frac{\$ \text{Line 7}}{\text{Line 7}} = \$ \text{Current Year's "5.5%" Revenue Limit } ^{12}$$

A8. Reduce Current Year's "5.5%" Revenue Limit by any amount levied over the limit in the previous year

$$\frac{\$ \text{Line A7}}{\text{Line A7}} - \frac{\$ \text{Line 9}}{\text{Line 9}} = \frac{\$ \text{Reduced Current Year's "5.5%" Limit. This is the maximum allowed to be levied this year}}{\text{Reduced Current Year's "5.5%" Limit. This is the maximum allowed to be levied this year}} ^{13}$$

A9. Calculate the mill levy which would generate the Reduced Revenue Limit (Line A8):

$$\frac{\$ \text{Line A8}}{\text{Line A8}} \div \frac{\$ \text{Line 3}}{\text{Line 3}} \times 1000 = \text{Mill Levy (Round to 3 decimals)}$$

<sup>7</sup>If this number were multiplied by 1000 and rounded to three decimal places, it would be the mill levy necessary in the previous year to realize the revenue in line A1.

<sup>8</sup>The value of these properties are "excluded" from the "5.5%" limit, according to 29-1-301(1)(a) C.R.S.

<sup>9</sup>This revenue is the amount that the jurisdiction theoretically would have received had those "excluded" or "growth" properties been on the tax roll in the previous year.

<sup>10</sup>This is the "5.5" percent increase allowed in 29-1-301(1), C.R.S.

<sup>11</sup>This figure can be used if an election was held to increase property tax revenue **above the "5.5%" limit**.

<sup>12</sup>Rounded to the nearest whole dollar, this is the statutory ("5.5%") property tax revenue limit.

<sup>13</sup>DLG will use this revenue amount to determine if a taxing entity levied revenue in excess of the limit.



**Steps to calculate the TABOR limit** (refer to numbered lines on page one):

**B. TABOR "Local Growth" Percentage <sup>14</sup>**

B1. Determine net growth valuation:

$$\frac{\$ \text{Lines 11+12+13+14+15+16}}{\text{Lines 17+18+19}} - \$ \frac{\text{Net Growth Value}}{\text{Net Growth Value}} = \$$$

B2. Determine the (theoretical) valuation of property which was on the tax roll last year:

$$\frac{\$ \text{Line 10}}{\text{Line 10}} - \$ \frac{\text{Line B1}}{\text{Line B1}} = \$$$

B3. Determine the rate of "local growth":

$$\frac{\$ \text{Line B1}}{\text{Line B1}} \div \$ \frac{\text{Line B2}}{\text{Line B2}} = \text{"Local Growth" Rate}$$

B4. Calculate the percentage of "local growth":

$$\frac{\text{Line B3}}{\text{Line B3}} \times 100 = \% \text{ (Round to 2 decimal places)}$$

**C. TABOR Property Tax Revenue Limit**

C1. Calculate the growth in property tax revenue allowed:

$$\frac{\$ \text{Line 2}^{15}}{\text{Line 2}^{15}} \times \frac{\text{Line B4} + \text{line 21}}{\text{Line B4} + \text{line 21}} \% = \$ \frac{\text{Increase allowed}}{\text{Increase allowed}}$$

C2. Calculate the TABOR property tax revenue limit:

$$\frac{\$ \text{Line 2}}{\text{Line 2}} + \$ \frac{\text{Line C1}}{\text{Line C1}} = \$ \frac{\text{TABOR Property Tax Revenue Limit}}{\text{TABOR Property Tax Revenue Limit}}$$

C3. Calculate the mill levy which would generate the TABOR Property Tax Revenue Limit (Line C2):

$$\frac{\$ \text{Line C2}}{\text{Line C2}} \div \frac{\$ \text{Line 3}}{\text{Line 3}} \times 1000 = \text{Mill Levy} \text{ (Round to 3 decimal places)}$$

**D. Which One To Use?** There is general agreement among practitioners that the most restrictive of the two revenue limits ("5.5%" or TABOR) must be respected, disallowing the levying of the greater amount of revenue which would be allowed under the other limit. Therefore, one must decide which of the two limits is more restrictive.

Compare Line A7 (Current Year's 5.5% Revenue Limit) to Line C2 (TABOR Property Tax Revenue Limit). The lesser of the two is the more restrictive revenue limit.

**NOTE:** TABOR(4)(a) requires prior voter approval to levy a mill levy above that of the prior year. This is a third limit on property taxes that must be respected, independent of the two revenue limitations calculated above. **If the lesser of the two mill levies in A9 and C3 is more than the levy of the prior year, it is possible that neither of the revenue amounts may be generated, and that revenues must be lowered to comply with this third limit.**

<sup>14</sup>This section is offered as a guideline only. The Division is required by law to enforce the "5.5%" limit, but does not have any authority to define or enforce any of the limitations in TABOR.

<sup>15</sup>**NOTE: For the TABOR property tax revenue limit only** (Part C of this form), it may be preferable to use the actual amount levied in the previous year, ignoring footnote #2 on page 1. This is a local option. DLG staff is available to discuss the alternatives.

## OTHER LEVIES:

### Capital Expenditure Levy

Under the "5.5%" limit, additional revenue greater than that on line A8 may be levied for capital expenditures, **if the specific procedures in 29-1-301(1.2) [counties or municipalities] or 29-1-302(1.5), C.R.S. [special districts or towns under 2000 in population] are followed**, or an election is held for this purpose. If such a levy is made, it and the revenue resulting from it must be certified to the county as a separate levy on the appropriate line of Form DLG 70 *Certification of Tax Levies for Non-School Governments*. The amount of revenue derived from this capital levy **will not** accrue to the "base" upon which next year's calculation will be made.

### Refund/Abatement Levy

The **refund and abatement revenue**, reported by the County Assessor to some local governments on the "Certification of Assessed Valuation" is **not** part of either property tax revenue limitation. This figure, if any, represents revenue that the jurisdiction should have received, but did not. The local government **may** certify mills sufficient to generate the refund and abatement revenue amount<sup>16</sup> in excess of the ones calculated for the property tax revenue limitation. This is an **optional levy** and will not accrue to the base for subsequent years' limit calculations. It can be entered on the appropriate line of Form DLG 70.

### Temporary Tax Credit/Mill Rate Reduction

A temporary mill levy reduction can be made, in order to effect a refund of tax revenue (39-1-111.5 and 29-1-301(6), C.R.S.). If used, it should be certified as a separate levy on line 2 of Form DLG 70, when certifying tax levies to the County Commissioners.

### Annual Incentive Payments

The "5.5%" revenue limitation may be exceeded by **counties and municipalities** by the total amount of **annual incentive payments** made by the local government in accordance with agreements negotiated with private business taxpayers pursuant to 30-11-123(6) C.R.S. [counties] and 31-15-903(5) C.R.S. [municipalities]. This is an optional levy and will not accrue to the base for subsequent years' limit calculations. It should be certified to the county commissioners as an "other levy" on line 7 of Form DLG 70.

### Reappraisals Ordered by the State Board of Equalization

The "5.5%" revenue limitation may be exceeded by counties to pay for the reappraisal of classes or subclasses ordered or conducted by the State Board of Equalization ( 29-1-301(1)(a) C.R.S. This levy should be certified as an "other levy" on line 7 of Form DLG 70.

### Payment to the State for Excess State Equalization Payments.

The "5.5%" revenue limit may be exceeded to make payments to the state for excess state equalization payments made to school districts due to the undervaluation of taxable property ( 29-1-301(1)(a) C.R.S. This levy should be certified as an "other levy" on line 7 of Form DLG 70.

**NOTE:** for assistance in using this form, understanding its terms, or suggested improvements, please contact Susanna Lienhard at the Division of Local Government: (303) 866-2354; E-mail address: [susanna.lienhard@state.co.us](mailto:susanna.lienhard@state.co.us); street address: 1313 Sherman St., #521, Denver, CO 80203.

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<sup>16</sup>29-1-301(1), C.R.S. and a 1994 Supreme Court case both allow the levying of an amount of revenue above the revenue limits without an election to recoup revenue which was lost in the previous year due to abatements and refunds which might have been granted by various boards and courts. So, for example, if an entity levies \$10,000 in one year, but only received \$9,000 due to a \$1,000 tax abatement granted by a District Court, it could levy an additional \$1,000 above either the "5.5%" or TABOR revenue limitation in the following year to offset the loss of revenue.

# TABOR FISCAL YEAR SPENDING WORKSHEET

The following terms are used in TABOR (Art. X, Sec. 20, Colo. Constitution) and may be different for each jurisdiction, depending upon local interpretation. For further information on their meaning, local governments should contact their attorney or accountant, state association or the Division of Local Government ("Division") at (303)866-2156.

## DATA ELEMENTS NEEDED FOR CALCULATIONS:

- a. Inflation \_\_\_\_\_% (This number must be forecast since the U.S. Bureau of Labor Statistics does not issue this number until March of next year. Sources for forecasts may be obtained by contacting the Division of Local Government.)
- b. Local growth \_\_\_\_\_% (Calculated using actual valuation data certified by the county assessor. See Division Form DLG 53a "Property Tax Revenue Limit Calculations Worksheet.")
- (Items "c" through "p" might be found in your local government's budget, financial statements or accounting system.)
- |    |  |       |       |
|----|--|-------|-------|
| c. | Total expenditures                       | c. \$ | _____ |
| d. | Total "reserve increases"                | d. \$ | _____ |
| e. | Total "reserve expenditures"             | e. \$ | _____ |
| f. | Total "reserve transfers"                | f. \$ | _____ |
| g. | Total refunds                            | g. \$ | _____ |
| h. | Total gifts                              | h. \$ | _____ |
| i. | Total federal funds                      | i. \$ | _____ |
| j. | Total collections for another government | j. \$ | _____ |
| k. | Total pension contributions by employees | k. \$ | _____ |
| l. | Total pension fund earnings              | l. \$ | _____ |
| m. | Total damage awards                      | m. \$ | _____ |
| n. | Total property sales                     | n. \$ | _____ |
| o. | Lottery proceeds (CTF and/or GOCO Funds) | o. \$ | _____ |
| p. | Voter-approved revenue changes           | p. \$ | _____ |

**TABOR "Fiscal Year Spending" Limit Calculation** (NOTE: Because of the special treatment that "reserve increases" receive in this calculation, many practitioners view this "fiscal year spending" limit as an overall revenue limitation to comply with in addition to the property tax revenue limitations.)

1. Add expenditures and "reserve increases":

$$1.1 \quad \$ \text{Line c} + \$ \text{Line d} = \$ \text{_____}$$

2. Subtract the exceptions from the expenditures and "reserve increases":

$$2.1 \quad \$ \text{Line 1.1} - \$ \text{Total of lines e through p} = \$ \text{"Fiscal year spending" base}$$

3. Calculate the amount of the allowed increase:

$$3.1 \quad \$ \text{Line 2.1} \times \text{Total of lines a+b} \% = \$ \text{Spending increase allowed}$$

4. Calculate the "fiscal year spending limit":

$$4.1 \quad \$ \text{Line 2.1} + \$ \text{Line 3.1} = \$ \text{"Fiscal year spending" limit}$$

## TABOR Emergency Reserve Calculation

5. Multiply the fiscal year spending limit by the emergency reserve percentage (3%):

$$5.1 \quad 0.03 \times \$ \text{Line 4.1}^1 = \$ \text{Emergency reserve}^2$$

<sup>1</sup>The TABOR amendment requires an emergency reserve of 3% or more of the fiscal year spending excluding bonded debt service. Therefore, line 4.1 can be reduced by the amount of bonded debt service for the current year.

<sup>2</sup>TABOR section (5) states: "Unused reserves apply to the next year's reserve." Therefore, only the difference between line 5.1 and any unused reserves must be added to the budget year emergency reserve amount.

# CERTIFICATION OF TAX LEVIES for NON-SCHOOL Governments \*

\* School districts must use forms provided by the Colorado Department of Education (303) 866-6600.

TO: County Commissioners of \_\_\_\_\_ County, Colorado. The \_\_\_\_\_  
(governing board)  
of the \_\_\_\_\_ hereby certifies the following mill levies to be extended upon the  
(local government)  
GROSS \* assessed valuation of \$ \_\_\_\_\_. Submitted this date: \_\_\_\_\_.

PURPOSE	LEVY	REVENUE
1. General operating expenses [This includes fire pension, if applicable.]	_____ mills	\$ _____
2. (MINUS) Temporary property tax credit/ Temporary mill levy rate reduction 39-1-111.5, C.R.S.	_____ mills ‡	\$ _____
‡ IF THE CREDIT DOES NOT APPLY TO the General Operating Expenses levy PLEASE INDICATE HERE THE LEVY TO WHICH THE CREDIT APPLIES: _____		
<b>SUBTOTAL</b>	_____ mills	\$ _____
3. General obligation bonds and interest [Special Districts must certify separately for each debt pursuant to 32-1-1603, C.R.S.; see back of this form.]	_____ mills	\$ _____
4. Contractual obligations approved at election	_____ mills	\$ _____
5. Capital expenditures [These revenues are not subject to the statutory property tax revenue limit if they are approved by counties and municipalities <u>through public hearing</u> pursuant to 29-1-301(1.2)C.R.S. and for special districts <u>through approval from the Division of Local Government</u> pursuant to 29-1-302(1.5)C.R.S. or for any entity if <u>approved at election</u> .]	_____ mills	\$ _____
6. Refunds/Abatements	_____ mills	\$ _____
7. Other (specify): _____ [ These revenues are for purposes not indicated above in #1 through #6 and are not subject to the statutory property tax revenue limit.]	_____ mills	\$ _____
<b>TOTAL</b>	_____ mills	\$ _____

NOTE: Certification **must** be carried to three decimal places **only**.

NOTE: If you certify to more than one county, you **must** certify the **same** levy to each county.

NOTE: If your boundaries extend into more than one county, please list all counties here:

Contact person: \_\_\_\_\_ Daytime phone: (\_\_\_\_) \_\_\_\_\_  
Signed: \_\_\_\_\_ Title \_\_\_\_\_

Send one completed copy of this form to the Division of Local Government, Room 521, 1313 Sherman Street, Denver, Colorado 80203 when you submit it to the Board(s) of County Commissioners. Questions? Call DLG (303) 866-2156.

\* As reported by County Assessor in final certification; however, use NET Assessed Valuation to calculate any levy.

Form DLG70

Page 1 of 2



## CERTIFICATION OF TAX LEVIES, continued

**THIS APPLIES ONLY TO SPECIAL DISTRICTS (TITLE 32, ARTICLE 1) WHICH LEVY TAXES FOR PAYMENT OF GENERAL OBLIGATION DEBT (32-1-1603 C.R.S.).** Special District must certify separate mill levies and revenues to the Board of County Commissioners, one each for the funding requirements of each debt (32-1-1603, C.R.S.) Total should be recorded on page 1, line 3.

**CERTIFY A SEPARATE MILL LEVY FOR EACH BOND OR CONTRACT:**

### **BONDS:**

1. Purpose of Issue: \_\_\_\_\_  
Series: \_\_\_\_\_  
Date of Issue: \_\_\_\_\_  
Coupon Rate: \_\_\_\_\_  
Maturity Date: \_\_\_\_\_  
Levy: \_\_\_\_\_  
Revenue: \_\_\_\_\_

2. Purpose of Issue: \_\_\_\_\_  
Series: \_\_\_\_\_  
Date of Issue: \_\_\_\_\_  
Coupon Rate: \_\_\_\_\_  
Maturity Date: \_\_\_\_\_  
Levy: \_\_\_\_\_  
Revenue: \_\_\_\_\_

### **CONTRACTS:**

3. Purpose of Contract: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_  
Principal Amount: \_\_\_\_\_  
Maturity Date: \_\_\_\_\_  
Levy: \_\_\_\_\_  
Revenue: \_\_\_\_\_

4. Purpose of Contract: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_  
Principal Amount: \_\_\_\_\_  
Maturity Date: \_\_\_\_\_  
Levy: \_\_\_\_\_  
Revenue: \_\_\_\_\_

Form DLG70  
Page 2 of 2

**SAMPLE**  
**RESOLUTION/ORDINANCE FOR BUDGETARY TRANSFERS**

(Pursuant to Section 29-1-109, C.R.S.)

A RESOLUTION/ORDINANCE APPROPRIATING ADDITIONAL SUMS OF MONEY TO DEFRAY EXPENSES IN EXCESS OF AMOUNTS BUDGETED FOR THE \_\_\_\_\_,

**(unit of government)**

COLORADO.

WHEREAS,

(Describe the circumstances concerning adoption of this Resolution/Ordinance using one or more of the following causes:

1. There is a need to transfer budgeted and appropriated moneys from one fund to another fund.

2. There is a need to transfer budgeted and appropriated moneys between spending agencies within a fund.)

AND WHEREAS,

(Describe where the money will come from.)

NOW, THEREFORE, BE IT RESOLVED/ORDAINED BY THE \_\_\_\_\_ OF

**(governing body)**

THE \_\_\_\_\_, COLORADO;

**(unit of government)**

Section 1. That the sum of \$ \_\_\_\_\_ is hereby transferred from the \_\_\_\_\_

**(amount)**

**(spending agency/fund)**

to the \_\_\_\_\_.

**(spending agency(ies)/fund(s))**

Section 2. That the 20\_\_ appropriation for the \_\_\_\_\_ is

**(spending agency/fund)**

hereby increased from \$ \_\_\_\_\_ to \$ \_\_\_\_\_ for the following purpose:

**(original amount)**

**(new amount)**

ADOPTED, this \_\_\_\_ day of \_\_\_\_\_, A.D., 20\_\_.

Attest: \_\_\_\_\_

\_\_\_\_\_  
**(Official's signature and title)**

**SAMPLE  
RESOLUTION/ORDINANCE FOR SUPPLEMENTAL BUDGET  
and APPROPRIATION**

(Pursuant to Section 29-1-109, C.R.S.)

A RESOLUTION/AN ORDINANCE APPROPRIATING ADDITIONAL SUMS OF MONEY TO DEFRAY EXPENSES IN EXCESS OF AMOUNTS BUDGETED FOR THE

\_\_\_\_\_,  
(unit of government)  
COLORADO.

WHEREAS,

(Describe the circumstances concerning adoption of this Resolution/Ordinance):

The receipt of \_\_\_\_\_  
(Describe the unanticipated revenue or revenues not assured at the time of the adoption of the budget from any source **other than the local government's property tax mill levy.**)

NOW, THEREFORE, BE IT RESOLVED/ORDAINED BY THE \_\_\_\_\_  
(governing body)  
OF THE \_\_\_\_\_, COLORADO;  
(unit of local government)

Section 1. That the 20\_\_ appropriation for the \_\_\_\_\_  
(name of fund)  
fund is hereby increased from \$ \_\_\_\_\_ to \$ \_\_\_\_\_ for the  
(original amount) (new amount)  
following purpose:

\_\_\_\_\_

ADOPTED, this \_\_\_\_\_ day of \_\_\_\_\_, A.D., 20\_\_\_\_.  
(date) (month)

Attest: \_\_\_\_\_

\_\_\_\_\_  
(Official's signature and title)

**SAMPLE**  
**RESOLUTION/ORDINANCE FOR BUDGET CONTINGENCY**

(Pursuant to Section 29-1-111, C.R.S.)

A RESOLUTION/AN ORDINANCE APPROPRIATING ADDITIONAL SUMS OF MONEY TO DEFRAID EXPENSES IN EXCESS OF AMOUNTS BUDGETED FOR THE \_\_\_\_\_, Colorado. **(unit of government)**

WHEREAS, (Document the facts concerning the emergency that requires adoption of this contingency measure);

WHEREAS, this contingency could not have been reasonably foreseen at the time of the adoption of the budget;

AND WHEREAS, the money to finance this contingency will be: **(Use one or more of the following as appropriate.)**

1. Transferred from one fund, where it is not needed or restricted, to another fund where the contingency has arisen, or
2. Is available in the same fund in the form of unrestricted surpluses, or
3. Borrowed, subject to the limitations of Section 29-1-112, C.R.S. **(Caution, entity may be subject to TABOR restrictions.)**

NOW THEREFORE, be it Resolved/Ordained by the \_\_\_\_\_ of the \_\_\_\_\_ **(governing body) (unit of government)**

Section 1. That the 20\_\_\_\_ appropriation for the \_\_\_\_\_ fund is hereby increased from **(name of fund)** \$\_\_\_\_\_ to \$\_\_\_\_\_ **including** the contingency. (This section must **(original amount) (new amount)** be used in all instances.)

Section 2. That the sum of \$\_\_\_\_\_ is hereby transferred from unappropriated and unrestricted **(amount)** surpluses in the \_\_\_\_\_ fund to the \_\_\_\_\_ fund. (To be used in **(name of fund) (name of fund)** conjunction with Section 1 if applicable.)

Section 3. That the treasurer of the \_\_\_\_\_, Colorado, is hereby authorized to **(unit of government)** borrow an amount of money not to exceed \$\_\_\_\_\_ in accordance with the provisions **(amount)** of (Section 29-1-112, C.R.S.) (To be used in conjunction with Section 3 if applicable.) **(Caution, entity may be subject to TABOR restrictions.)**

ADOPTED, this \_\_\_\_\_ day of \_\_\_\_\_, A.D., 20\_\_\_\_  
**(date) (month)**

Attest:

\_\_\_\_\_  
**(Official's signature and title)**



**CERTIFICATION OF CHANGE IN SERVICES OR INCREASE IN  
LEVEL OF SERVICES DUE TO INCREASED VOLUME OF  
PRODUCTION FROM A PRODUCING MINE  
FOR BUDGET YEAR 20 \_\_\_\_**

(Pursuant to Section 29-1-301(1)(a), C.R.S.)

To the Colorado Division of Local Government and Assessor of \_\_\_\_\_

County. The \_\_\_\_\_ of the \_\_\_\_\_ hereby  
(governing body) (unit of local government)

certifies there was a change in the services or an increase in the level of services of the  
\_\_\_\_\_ which was the result of an increased volume of production of a  
(unit of government)  
producing mine located wholly or partially within \_\_\_\_\_.  
(unit of government)

Name and Location of mine(s) with increased volume of production:

\_\_\_\_\_  
Identify the increase in the levels of service(s) as a result of the increase in production. (If  
more than one mine is listed above, identify which mine caused the increase or change in service).

**Describe the Increase in Level (s) of Service**

Increase In Service

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Signed by a **majority of the Governing Board** on: \_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Name) (Title)

\_\_\_\_\_  
(Name) (Title)

\_\_\_\_\_  
(Name) (Title)

\_\_\_\_\_  
(Name) (Title)

**Contact Person:** \_\_\_\_\_ **Telephone #:** \_\_\_\_\_  
(Name)

Form DLG 52  
Revised 3/03

**CERTIFICATION OF INCREASE IN LEVEL OF SERVICES  
DUE TO PREVIOUSLY LEGALLY EXEMPT FEDERAL  
PROPERTY WHICH HAS BECOME TAXABLE  
FOR BUDGET YEAR 20\_\_**

(Pursuant to Section 29-1-301(1)(a), C.R.S.)

To the Colorado Division of Local Government and the Assessor of \_\_\_\_\_,

County: The \_\_\_\_\_ of the \_\_\_\_\_ hereby  
(governing body) (unit of local government)

certifies there was an increase in the level of service(s) of the \_\_\_\_\_  
(unit of local government)

which was a result of previously exempt federal property becoming taxable being located partly or  
completely within the boundaries of \_\_\_\_\_.  
(unit of government)

**Name and location of property:** \_\_\_\_\_

Identify the increase in the level of service(s) provided as a result of the exempt federal  
property becoming taxable.

**Describe the Increase in the Level of Service(s)**

Increase In Service

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Signed by a **majority of the Governing Board** on: \_\_\_\_\_  
(Date)

_____ (Name)	_____ (Title)
_____ (Name)	_____ (Title)
_____ (Name)	_____ (Title)
_____ (Name)	_____ (Title)
_____ (Name)	_____ (Title)

**Contact Person:** \_\_\_\_\_ **Telephone #:** \_\_\_\_\_  
(Name)

Form DLG 52 A  
Revised 3/03

**APPLICATION FOR EXCLUSION FROM THE 5.5% LIMIT of  
ASSESSED VALUATION ATTRIBUTABLE TO  
NEW PRIMARY OIL OR GAS PRODUCTION  
BUDGET YEAR 20\_\_\_\_\_**

TO: Division of Local Government  
1313 Sherman Street, Room 521  
Denver, Colorado 80203

The \_\_\_\_\_ of the \_\_\_\_\_ hereby requests the Division of Local Government  
(governing body) (unit of government)  
to exclude \$\_\_\_\_\_ of assessed valuation certified by the county assessor from the calculation  
of the statutory property tax revenue limitation, also known as the "5.5%" limit, set forth in Section 29-1-301(1),  
C.R.S. This increased valuation for assessment is attributable to **new primary oil or gas production** for the  
preceding year from producing oil or gas leaseholds or land wholly or partially within this taxing entity. (Section  
29-1-301(1)(b), C.R.S.)

This new primary oil or gas production has or will cause an increase in the level of services provided by  
\_\_\_\_\_.  
(unit of government)

Therefore \_\_\_\_\_ submits this application which provides the following  
(unit of government)  
**required** information pursuant to Section 29-1-301(1)(c), C.R.S. **(Please attach additional pages as  
necessary)**

I. The causal relationship between the new primary oil or gas production and the increase in the level of  
services provided or to be provided by this taxing entity is:

\_\_\_\_\_  
\_\_\_\_\_

II. If the exclusion **is** authorized, the total **statutory\*** mill levy will be: \_\_\_\_\_ mills.

If the exclusion **is** authorized, the total estimated revenue to be collected would be:  
\$ \_\_\_\_\_

III. If the exclusion **is not** authorized, the **statutory\*** mill levy will be: \_\_\_\_\_ mills.

If the exclusion **is not** authorized, the estimated revenue to be collected would be:  
\$ \_\_\_\_\_

\* the mill levy of the statutory property tax revenue limitation. The applicant may be subject to other  
mill levy limits.

Form DLG52 B  
Page 1 of 3

**APPLICATION FOR EXCLUSION OF NEW PRIMARY OIL OR GAS PRODUCTION, con't.**

IV. If the exclusion is authorized, the expenditures made from the increased revenue collected would be for:

---

---

---

If the exclusion is authorized, the expenditures made from increased revenue collected would total:  
\$ \_\_\_\_\_

**NOTE: THIS APPLICATION WILL NOT BE PROCESSED IF THE FOLLOWING INFORMATION IS NOT SUPPLIED. Please attach additional pages as necessary.**

New primary oil or gas production is from the following oil or gas wells:

Name of Well: \_\_\_\_\_  
Location: \_\_\_\_\_

Legal Description: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Name of Operator(s) of Record: \_\_\_\_\_  
Address of Operator(s) of Record: \_\_\_\_\_

Name of Well: \_\_\_\_\_  
Location: \_\_\_\_\_

Legal Description: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Name of Operator(s) of Record: \_\_\_\_\_  
Address of Operator(s) of Record: \_\_\_\_\_

Name of Well: \_\_\_\_\_  
Location: \_\_\_\_\_

Legal Description: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Name of Operator(s) of Record: \_\_\_\_\_  
Address of Operator(s) of Record: \_\_\_\_\_



**APPLICATION FOR EXCLUSION OF NEW PRIMARY OIL OR GAS PRODUCTION, con't.**

Name of Well: \_\_\_\_\_  
Location: \_\_\_\_\_

Legal Description: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Name of Operator(s) of Record: \_\_\_\_\_  
Address of Operator(s) of Record: \_\_\_\_\_

Name of Well: \_\_\_\_\_  
Location: \_\_\_\_\_

Legal Description: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Name of Operator(s) of Record: \_\_\_\_\_  
Address of Operator(s) of Record: \_\_\_\_\_

Submitted by the **Governing Body** of: \_\_\_\_\_ on \_\_\_\_\_.  
(unit of government) (date)

_____ Name (signature)	_____ (Title)
_____ Name (signature)	_____ (Title)
_____ Name (signature)	_____ (Title)
_____ Name (signature)	_____ (Title)
_____ Name (signature)	_____ (Title)

Contact Person: \_\_\_\_\_  
Telephone #: \_\_\_\_\_

Must be submitted to Division of Local Government no later than November 1

**APPLICATION FOR COUNTY TO EXCEED THE STATUTORY  
MILL LEVY LIMIT FOR THE SOCIAL SERVICES FUND  
FOR FISCAL YEAR 20\_\_**

TO: Division of Local Government  
1313 Sherman Street, Room 521  
Denver, Colorado 80203

The Board of County Commissioners of \_\_\_\_\_ County, hereby petition the Division of Local Government for permission to exceed the mill levy limit for the Public Welfare Fund for the 20\_\_ fiscal year, pursuant to Section 26-1-125(3), C.R.S.

We understand its approval is granted only for the 20\_\_ fiscal year only. We also understand this approval does not constitute permission to exceed the property tax revenue limit for the County.

The statutory mill levy limit is \_\_\_\_\_ mills.

The County requests permission to assess \_\_\_\_\_ mills for the Public Welfare Fund in the County's 20\_\_ Budget.

The increase levy is made necessary for the following reasons: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

The Board of County Commissioners requests that the Division of Local Government authorizes the levy increase requested in this application.

\_\_\_\_\_  
**Commissioner (Signature)**

\_\_\_\_\_  
**Commissioner (Signature)**

\_\_\_\_\_  
**Commissioner (Signature)**

\_\_\_\_\_  
**Commissioner (Signature)**

\_\_\_\_\_  
**Commissioner (Signature)**

**Date:** \_\_\_\_\_

Application approved this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
**Director, Division of Local Government**

Acct. No.	General Fund Description	General Purpose Government (municipality or county)				Fire Protection District				Water & Sanitation District			
		Actual (Prior Year) 20	Estimated Current Year 20	Final Budget 20		Actual (Prior Year) 20	Estimated Current Year 20	Final Budget 20		Actual (Prior Year) 20	Estimated Current Year 20	Final Budget 20	
	ESTIMATED RESOURCES:												
	Beginning Balance: Jan. 1, 20												
	Estimated Fund Revenue:												
	Operating Revenue:												
340.00	Sales and Services												
351.00	Fines												
	Fees												
	Miscellaneous												
	Other: (Specify)												
	TOTAL OPERATING REVENUES:												
	Non-Operating Revenue:												
312.00	Property Tax												
	Specific Ownership Tax												
313.00	Sales and Use Tax												
330.00	Intergovernmental: (specify)												
	Federal:												
	State:												
	County:												
	Other:												
361.00	Interest Income												
392.00	Sale of Fixed Assets												
	Other: (Specify)												
	Tap fees												
	Development fees												
393.00	Debt proceeds												
365.00	Contributions												
391.00	Transfer in from other Funds												
	TOTAL NON-OPERATING REVENUES:												
	Designated Reserves - Emergency												
	TOTAL AVAILABLE RESOURCES:												

This budget template is for three government types: a general purpose government, a fire district and a water and sanitation district.

For additional revenue or expenditure accounts, see the Uniform Chart of Accounts (UCA) in Appendix E of this Manual.

This budget template is merely a guide. It is not all-inclusive of each entity's fund types.

If your entity is not one of these types, use the template and the UCA to develop your own template.

Each gov't may have additional Funds, for ex. Capital Projects, Enterprise, Debt Service, Special Revenue, etc.

Acct. No.	General Fund Description	General Purpose Government (municipality or county)			Fire Protection District			Water & Sanitation District		
		Actual (Prior Year) 20	Estimated Current Year 20	Final Budget 20	Actual (Prior Year) 20	Estimated Current Year 20	Final Budget 20	Actual (Prior Year) 20	Estimated Current Year 20	Final Budget 20
	ESTIMATED EXPENDITURES:									
	Operating Expenses/Expenditures:									
	General Government (every entity):									
410.00	Legislative:									
411.00	Governing Board									
413.20	Chief Executive									
414.00	Elections									
	Administration									
415.10	Financial									
415.13	Audit									
415.30	Legal									
110.00	Salaries and Wages									
200.00	Benefits									
210.00	Group Insurance									
220.00	FICA (Social Security)									
230.00	Retirement Contribution									
240.00	Workers Compensation									
620.00	Supplies									
610.00	General supplies									
621.00	Gas									
622.00	Electricity									
	Total General Government Expense:									
	Municipal Government Services:									
431.00	Streets and Alleys									
431.21	Paved streets maintenance/repair									
431.22	Unpaved streets maintenance/repair									
420.00	Total Street and Alleys									
420.00	Public Safety									
421.00	Police									
	Total Public Safety									
451.00	Recreation									
451.24	Swimming Pool									
	Total Recreation									
	TOTAL MUNICIPAL GOVERNMENT									



Each gov't may have additional Funds, for ex. Capital Projects, Enterprise, Debt Service, Special Revenue, etc.

Acct. No.	General Fund Description	General Purpose Government (municipality or county)			Fire Protection District			Water & Sanitation District		
		Actual (Prior Year) 20	Estimated Current Year 20	Final Budget 20	Actual (Prior Year) 20	Estimated Current Year 20	Final Budget 20	Actual (Prior Year) 20	Estimated Current Year 20	Final Budget 20
422.00	Fire District:									
410.00	Gen. Government (All items as above)									
	Fire District Services:									
	Administration (in add. to Gen. Govt.)									
	Operations:									
422.20	Fighting									
422.50	Communications									
422.60	Equipment/Repair									
422.30	Prevention									
422.40	Training									
	TOTAL FIRE DISTRICT									
432.00	Sanitation District									
410.00	Gen. Government (All items as above)									
432.10	Administration(in add. to Gen. Govt.)									
432.50	Operations:Collection and Disposal									
432.51	Sanitary Sewer Construction									
432.52	Maintenance									
432.53	Cleaning									
432.56	Treatment Plant Operation									
	TOTAL SANITATION DISTRICT									
	Each Gov'l Type Adds the Following:									
280.00	Capital Outlay:									
470.00	Debt Service:									
471.10	Principal									
472.10	Interest									
476.00	Bond issuance costs									
	TOTAL EXPENSES/EXPENDITURES:									
	Emergency Reserve									
	Ending Balance: Dec. 31, 20									
	Total Uses of Resources:									

Note: All governments (municipalities, counties, special districts, etc.) have "General Government" expenditures.

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**Statutory Mill Levy Limits**

**Appendix D**

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**Statutory Mill Levy Limits**

**1. County Functions**

<u>Service or Fund</u>	<u>Colorado Revised Statutes</u>	<u>Maximum Mill Levy</u>
Rodent & Predatory	35-7-201 & 202	May levy property taxes for this, but cannot exceed \$20,000/year in general fund revenue.
Sheriff Fire Special Fund	30-10-513	May levy a special tax on property for purpose of creating this fund to prevent, control, extinguish forest and prairie fires. 1 mill or \$500,000 whichever is less.
County Hospital	25-3-301	3 mills - counties with population of 3,000+. 5 mills - counties with population of less than 3,000.
Pest Control District	35-5.5-119	5 mills on real property - for the Noxious Weed Control Fund.
Disposal District	30-20-203(1)(a)	0.5 mills.
County Debt Limit	30-26-301(3)	Aggregate amount of indebtedness for entire county cannot exceed 1 ½ % of total assessed value.
Judgment Against Counties	30-25-104	10 mills. Must levy 10 mills if lesser levy will not discharge judgement.

## 2. Municipal Funds and Services (May not apply to home rule cities)

<u>Service or Fund</u>	<u>Colorado Revised Statutes</u>	<u>Maximum Mill Levy</u>
Public Works Fund	31-15-302 (1)(f)(II)	If levy is in excess of 2 mills for any one year the governing body shall submit the question to the voters.
Park Fund(cities only)	31-25-215	1.5 mills.
Municipal Utility Works	31-15-707	3 mills.
Judgment Against Municipality	24-10-113 (3)	10 mills. Must levy 10 mills if lesser levy will not discharge a judgement.
Volunteer Firefighter Pension (Includes the fire protection district and county improvement districts.		
Population under 100,000	31-10-1110	1 mill. Increase by election.

### Maximum Appropriations

Public Concerts and Entertainment	31-15-901	Appropriations not to exceed .6 mills on the valuation of the assessment.
Associated Charity Organizations	31-15-901	No monetary limit on appropriation.
Municipal Debt Limit	331-15-302 (1)(d)(II)	Total general obligation debt shall not exceed 3% of actual value of the taxable property, except debt for water.



### 3. Special District and Authorities

Generally, but not always, the following limitations may be exceeded in order to pay for bonded indebtedness and other obligations incurred by the district approved by the voters. The limitation may not be exceeded in any other case unless otherwise specified by law.

<u>Service or Fund</u>	<u>Colorado Revised Statutes</u>	<u>Maximum Mill Levy</u>
County Recreation	30-20-703 (1)(a)	1 mill. If district comprises entire county, county monies must be appropriated from general fund and no special levy is authorized.
Cemetery	30-20-806	4 mills. If district embraces entire county, monies are appropriated from general fund and no special tax is allowed.
Downtown Development Authority	31-25-816	5 mills upon property in designated downtown area.
Metropolitan Water	32-4-406 (1)(h)	6 mills.
Metropolitan Sewage Disposal District	32-4-510 (1)(h)	0.75 mills within first five years of organization. No levies allowed in case of delinquencies.
Regional Service	32-7-112,118	Maximum determined by voters. Levy in excess of maximum must also be approved by voters.
Local Improvement	32-7-135 (7)(a)	4 mills for improvements in local improvement district in any one year.
Regional Transportation District	32-9-120 (1)	0.5 mills for deficits in operation and maintenance expenses. 0.5 mills for other expenses. Can exceed these limits, up to 2.5 mills, to pay for bonded indebtedness and contracts.

<u>Service or Fund</u>	<u>Colorado Revised Statutes</u>	<u>Maximum Mill Levy</u>
Urban Drainage and Flood Control	32-11-217 (1)(c)	0.1 mill for engineering and operations. 0.4 mills - capital. 0.4 mills - maintenance of flood plains.
	32-11-217 (1)(d)	0.5 mills - operations and maintenance expenses. 1 mill - capital improvements.
	32-11-217 (1)(c)(II)	0.1 mills - South Platte River maintenance and improvement. 1 mill - security for payment of assessment bonds. 2.5 mills - maximum annual non-debt levy.
	(1)(c)(I)	Any levy in excess of 1.0 mills must be submitted to electorate.
Mine Drainage	34-51-117 (1)	50 mills on all mining claims within district. A levy on all ores in the district, not to exceed 10% of net sales price, may also be used in lieu of, or in combination with, regular levy.
Soil Conservation	35-70-109 (2)(a) & (d)	0.5 mills.
Water Conservancy	37-5-102 (1)	1 mill - preliminary fund to pay for expenses of organization, surveys and plans, incidental expenses and administration.
	37-45-121 (1)(a)	Class A (tax levied on <u>all property</u> within a Class A district):

**Service or Fund****Colorado Revised  
Statutes****Maximum Mill Levy**

Water Conservancy  
(continued)

37-45-122  
(1)(a)

i) Formed prior to April 22, 1957, maximum is 0.5 mills prior to delivery of water and 1 mill thereafter.

37-45-122  
(2)(a)(I)

ii) Formed after April 22, 1957. Assessed valuation, when formed, of \$20 million or less. Maximum is 1.5 mills prior to delivery and 3 mills thereafter. Maximum may be increased to 9 mills upon vote.

37-35-122  
(2)(a)(II)

Assessed valuation, when formed, of more than \$20 million, but not more than \$50 million. Maximum is 1 mill prior to delivery and 2 mills thereafter. Maximum may be increased up to 6 mills upon vote.

37-35-122  
(2)(a)(III)

Assessed valuation, when formed, more than \$50 million, maximum is 0.5 mills prior to delivery and 1 mill thereafter. Maximum may be increased to 3 mills upon vote.

37-45-123,124,125

Assessments for special benefits are made according to the allotment of water to each of the petitioning lands of class B, C and D.

<u>Service or Fund</u>	<u>Colorado Revised Statutes</u>	<u>Maximum Mill Levy</u>
Water Conservancy (continued)	37-45-126	Additional levies exceeding limits may be authorized by board to cover defaults and deficiencies, but such additional levy cannot exceed 0.5 mills or impose on class A payments in excess of 25% of anticipated revenues from other sources.
	37-45-137 (2)	After March 15 of any year, any land excluded from the district is not liable for more than 0.5 mill levy for that year, made pursuant to Section 37-45-122.
	37-46-109	2.5 mills - administrative costs, including organization, surveys and plans, project construction, etc.
Colorado River Conservation District	37-46-126.3	5 mills for a subdistrict's expenses and construction costs.
	37-46-127 (2)	5 mills - for subdistrict's maintenance assessment. Can be increased by court order.
Southwestern Water Conservation District	37-47-109 (1)(a)	0.6 mills - organization expenses, surveys and plans, and administrative costs.
Rio Grand Water Conservation District	37-48-107 (1)	2.5 mills - organization expenses, surveys and plans, and administrative costs.
	37-48-110	
	37-48-145	5 mills - sub-district preliminary assessment. Shall not be exceeded unless petition and court order creating the subdistrict provide for a higher rate.



<u>Service or Fund</u>	<u>Colorado Revised Statutes</u>	<u>Maximum Mill Levy</u>
Ground Water Districts	37-90-132	2 mills - special management assessment on wells may also be levied.
Cherry Creek Basin Water Quality Authority	25-8.5-111 (p)(1)	0.5 mills - higher upon voter approval.

#### **4. Junior College Districts**

<u>Service or Fund</u>	<u>Colorado Revised Statutes</u>	<u>Maximum Mill Levy</u>
Capital Reserve Fund	23-71-402 (3)	The levy for the capital reserve fund districts cannot exceed 4 mills.
Bonded Indebtedness	23-71-504	Specifies that the bonded indebtedness of any junior college cannot exceed twenty percent of the latest assessed valuation for any such district. Any question of bonded indebtedness requires approval by the voters.

#### **5. General Limitations for Counties, Municipalities and Special Districts**

<u>Service or Fund</u>	<u>Colorado Revised Statutes</u>	<u>Limitation</u>
<b><u>Debt Limits</u></b>		
County Roads, Buildings, Bridges, Mass Transits, etc.	30-26-301	Aggregate amount of indebtedness of any county shall not exceed 1.5% of assessed valuation.

<u>Service or Fund</u>	<u>Colorado Revised Statutes</u>	<u>Limitation</u>
County, City, Town, School or Bonded Indebtedness and Interest.	30-25-205	There is no levy limit on judgments.
Special Districts	32-1-1101 (6)	The total principal amount of general obligation debt issued after 7/1/91 shall not exceed the greater of \$2 million or 50% of assessed valuation, except under certain conditions including being rated in one of the four highest investment rating categories, secured by a letter of credit or other credit enhancements, etc.
Municipalities	31-15-302 (1)(d)(II)	The total amount of indebtedness for all purposes shall not at any time exceed three percent (3%) of actual value, except for such debt as may be incurred in supplying water.
Health Service Districts	32-1-1103 (1)(a)(II)	If assessed valuation is \$1.5 million or less, contracting bonded indebtedness cannot exceed three percent (3%) of the assessed valuation.
	32-1-1103 (1)(a)(III)	If assessed valuation is over fifteen million dollars, then contracting bonded debt cannot exceed five percent (5%) of the assessed value.
	32-1-1103 (1)(a)(IV)	In districts with a population of 20,000 or less with an assessed valuation of \$15 million or less, then contracting bonded debt cannot exceed 20 percent (20%) of the assessed valuation.

Service or Fund

Colorado Revised  
Statutes

Limitation

Uniform Taxation (Levy)

State of Colorado  
Construction

Article X,  
Section 3

Each property tax levy must be uniform on all real and personal property located within the boundaries of the taxing jurisdiction including crossing county boundaries in the case of multi-county entities.

Exceptions for Water or  
Sanitation

32-1-1006  
(1)(b)

Where a district has been divided into areas according to the services (or lack thereof) furnished or to be furnished, then the district may set different rate of levy against the property in the different areas according to the services provided.

Exception of Sub-Districts

32-1-1101  
(1)(f)(II)

The division of the special district into one or more sub-districts shall provide for the fair and equitable taxation within the territorial limits of the authority levying the tax.

Contingency Payment

Local Governments

29-1-112

No local governing body shall make a temporary loan for emergency purposed which exceeds the amount which can be raised by a 2 mill levy. **Note:** The ability to either borrow this amount or levy a tax to repay it is in some doubt after TABOR. The statute is still on the books, but be advised to proceed cautiously to invoke it.

**TABOR Limitations****Colorado Constitution****Limitation**

Mill Levy

Article X,  
Section 20(4)(a)

A mill levy above that of the prior year must have advance voter approval.

Multiple Fiscal Year  
ObligationArticle X,  
Section 20(4)(b)

Creation of a multiple fiscal financial obligation must have advance voter approval unless present cash reserves are pledged irrevocable and held for payment in all future years.

Fiscal Year Spending

Article X,  
Section 20(7)(b)

Includes all district expenditures and reserve increases except those for refunds made in the current or next fiscal year of those from gifts, federal funds, collections for another government pension contributions by employees and pension fund earnings, reserve transfers or expenditures, damage awards, or property sales or conservation trust fund proceeds.

Property Tax Revenue

Article X,  
Section 20(7)(c)

The maximum annual percentage change in local government's property tax revenue equals inflation in the prior year plus annual local growth (see definition (2)(g)), adjusted for any voter approved revenue changes.



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**Uniform Classification of Accounts**

**Appendix E**

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# ***State of Colorado***

## ***Financial Management Manual***

### ***A Guide for Colorado Local Governments***

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#### **Uniform Classification of Accounts**

According to governmental accounting and financial reporting principles, “common terminology and classifications should be used consistently throughout the budget, the accounts and the financial reports of each fund.” (NCGAS 1, ¶ 123)

Government, please refer to the State Organizations, Colorado Department of Local Affairs section of the Contacts chapter of the *Manual*.

Many local governments across the nation use the Government Finance Officers Association (GFOA) uniform classification of accounts for accounting and financial reporting of their government activities. With permission from Stephen J. Gauthier and the GFOA, 180 N. Michigan Avenue, Suite 800, Chicago, IL 60601, we have included a copy of their classification of accounts, which includes an illustrative listing of accounts, classifications, and descriptions. The use of this chart of accounts will allow financial statements to be comparable and useful for analysis at the state and national levels.

School Districts, however, must use the classification of accounts outlined by the Financial Policies and Procedures Handbook adopted by the State Board of Education. For contact and Web site information for the State Board of Education, please refer to the State Organizations, Colorado Department of Education section of the Contacts chapter of the *Manual*.

Local governments who have additional questions about establishing a chart of accounts for their government may contact the Division of Local Government. For contact and Web site information for the Division of Local

## APPENDIX E

# ILLUSTRATIVE ACCOUNTS, CLASSIFICATIONS, AND DESCRIPTIONS

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### PRELIMINARY NOTE

It is a basic principle of governmental accounting and financial reporting that “a common terminology and classification should be used consistently throughout the budget, the accounts, and the financial reports of each fund.”<sup>1</sup> The first step toward fully realizing this principle is to establish a chart of accounts with appropriate descriptions of each account.

Governments typically maintain their accounting system on a fund basis. The accounting system is thus automatically able to provide the fund-based data needed to prepare the separate governmental fund, proprietary fund, and fiduciary fund financial statements required by generally accepted accounting principles (GAAP). GAAP also require that governments prepare government-wide financial statements to accompany the fund financial statements. These government-wide financial statements consolidate all of the information reported in a government’s governmental and proprietary funds.

Governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting, whereas proprietary funds use the economic resources measurement focus and the accrual basis of accounting. Naturally, a consolidated government-wide presentation needs to be presented using a single measurement focus and basis of accounting. Therefore, the data reported in a government’s various governmental funds must first be converted to the economic resources measurement focus and the accrual basis of accounting before they can be consolidated with the data for a government’s proprietary activities. The details of this conversion are described in chapter 8 and illustrated in appendix C.

The process of converting governmental fund data is complicated by the fact that the underlying fund data must remain intact to permit the continued reporting of governmental fund financial statements in subsequent periods. That is, governmental fund data cannot be altered in the process of conver-

<sup>1</sup> National Council on Governmental Accounting, Statement 1, *Governmental Accounting and Financial Reporting Principles*, principle 11.

sion. Accordingly, governments typically use a worksheet to make the adjustments needed to convert governmental fund data to the economic resources measurement focus and the accrual basis of accounting for inclusion in the government-wide financial statements.

Not all assets and liabilities related to *governmental activities* are reported in governmental funds (e.g., capital assets and long-term debt). Accordingly, the additional data needed for government-wide financial reporting must be maintained separately in the accounting system. As a practical matter, the government-wide financial statements function essentially in the same manner as a proprietary fund. Therefore, it generally is not necessary to invent special accounts for this purpose. Instead, needed data can be maintained in the same accounts used for proprietary funds, only with special coding to indicate that these particular balances relate to the government-wide financial statements rather than to an enterprise fund or an internal service fund. The net difference between general government asset and liability account balances may be recorded in a separate *net assets—general government* account to keep the general ledger in balance.

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## NOTES ON THE ILLUSTRATIVE MATERIAL

This appendix is divided into two sections. The first section provides a summary of account classifications. The second section furnishes definitions of each of the account classifications presented in the first section.

Accounts are numbered consecutively as follows:

- 100 - Assets
- 200 - Liabilities and accounts reflecting the difference between assets and liabilities
- 300 - Revenues and other financing sources
- 400 - Expenditures and other financing uses

This numbering system is intended primarily to facilitate reference to individual accounts in the illustrative material. With appropriate modifications, however, it could also serve as the basis for a coding system for a government's accounting system. In this latter case, adjustments may be needed to make the coding system consistent with the budget.

The account titles presented in the first section are not exhaustive, but are typical of the types of accounts used by general-purpose local governments. Additional accounts may be needed to provide other types of information useful for managerial purposes.

This chart of accounts generally is limited to accounts used for accounting and financial reporting purposes. It does not include budgetary accounts employed for purposes of budgetary integration (see chapter 16 for a discussion of budgetary accounts).

Many state governments have established a uniform chart of accounts for local governments. Naturally, such a chart of accounts should be used if mandated. Often the use of a uniform state-mandated chart of accounts is connected with the completion of prescribed forms that must be submitted by local governments to a designated state oversight department. If a state-mandated uniform chart of accounts is incon-



sistent with GAAP, appropriate adjustments should be made in preparing general-purpose external financial reports.

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## FUND CLASSIFICATIONS

Governments typically maintain their accounting system on a fund basis. Governments also maintain additional data on general government assets and liabilities, as explained earlier, for purposes of government-wide financial reporting. Accordingly, special coding is necessary to indicate the portion of each account balance related to a given fund or to governmental activities in general, as follows:

- 1 Governmental funds
  - 1.1 General fund
  - 1.2 Special revenue funds
  - 1.3 Capital projects funds
  - 1.4 Debt service funds
  - 1.5 Permanent funds
  - 1.6 Governmental activities (government-wide financial reporting)
- 2 Proprietary funds
  - 2.1 Enterprise funds
  - 2.2 Internal service funds
- 3 Fiduciary funds
  - 3.1 Pension (and other employee benefit) trust funds
  - 3.2 Investment trust funds
  - 3.3 Private-purpose trust funds
  - 3.4 Agency funds

A description of each of these items is provided later in this appendix.

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## CLASSIFICATIONS – STATEMENTS OF POSITION

A summary of the accounts typically used for the various statements of position is presented below. Most of these accounts are visible in the illustrative financial statements presented in appendix D. Detailed descriptions of each account are provided later in this appendix. Valuation accounts and similar “contra accounts” (e.g., allowance for doubtful accounts, accumulated depreciation, premiums, and discounts) are reported together with the asset or liability account to which they pertain.

The account coding of individual items often will not exactly match the detail presented in a government’s published financial statements. Such differences arise as part of the process of summarizing or grouping accounts or portions of accounts for financial reporting purposes. Likewise, certain details needed for financial reporting purposes (e.g., current balance versus noncurrent balance of liabilities, restricted cash and investments versus unrestricted cash and investments) typically are obtained through an analysis of the accounts at year end rather than through the maintenance of separate accounts. Analysis also is needed to classify

appropriate portions of *net assets—governmental activities* as invested in *capital assets, net of related debt; restricted; and unrestricted.*

*Code      Classification*

**Assets**

101.	Cash (including cash equivalents)
101.1	Petty cash
102.	Cash with fiscal agent
103.	Investments—current
104.	Interest receivable—investments
105.	Taxes receivable—current
105.1	Allowance for uncollectible current taxes (credit)
107.	Taxes receivable—delinquent
107.1	Allowance for uncollectible delinquent taxes (credit)
109.	Interest and penalties receivable—taxes
109.1	Allowance for uncollectible interest and penalties (credit)
111.	Tax liens receivable
111.1	Allowance for uncollectible tax liens (credit)
115.	Accounts receivable
115.1	Allowance for uncollectible accounts receivable (credit)
117.	Unbilled accounts receivable
117.1	Allowance for uncollectible unbilled accounts receivable (credit)
121.	Special assessments receivable—current
121.1	Allowance for uncollectible current special assessments (credit)
122.	Special assessments receivable—noncurrent
122.1	Allowance for uncollectible noncurrent special assessments (credit)
123.	Special assessments receivable—delinquent
123.1	Allowance for uncollectible delinquent special assessments (credit)
124.	Special assessment liens receivable
124.1	Allowance for uncollectible special assessment liens (credit)
125.	Interest receivable—special assessments
125.1	Allowance for uncollectible special assessment interest (credit)
126.	Intergovernmental receivable
127.	Taxes levied for other governments
128.	Notes receivable
128.1	Allowance for uncollectible notes (credit)
129.	Loans receivable
129.1	Allowance for uncollectible loans (credit)
130.	Due from other funds—_____ fund
132.	Due from component unit
136.	Rent receivable
136.1	Allowance for uncollectible rent (credit)
141.	Inventories—materials and supplies
142.	Inventories—stores for resale
143.	Prepaid items
149.	Deferred charges
151.	Investments—noncurrent
151.1	Unamortized premiums—investments
151.2	Unamortized discounts—investments (credit)
152.	Advance to other funds—_____ fund
153.	Investments—joint venture
161.	Land
162.	Infrastructure
162.1	Accumulated depreciation—infrastructure (credit)
163.	Buildings
163.1	Accumulated depreciation—buildings (credit)
164.	Improvements other than buildings
164.1	Accumulated depreciation—improvements other than buildings (credit)

- 165. Machinery and equipment
- 165.1 Accumulated depreciation—machinery and equipment (credit)
- 166. Construction in progress
- 170. Other assets

#### **Liabilities, Fund Balances, and Net Assets**

- 201. Vouchers payable
- 202. Accounts payable
- 203. Compensated absences payable
- 204. Claims and judgments payable
- 205. Contracts payable
- 206. Retainage payable
- 207. Intergovernmental payable
- 208. Due to other funds—\_\_\_\_\_ fund
- 210. Due to component unit
- 212. Matured bonds payable
- 213. Matured interest payable
- 214. Accrued interest payable
- 222. Deferred revenue—unavailable
- 223. Deferred revenue—unearned
- 224. Notes payable—current
- 225. Bonds payable—current
  - 225.1 General obligation bonds payable
  - 225.2 Special assessment debt with government commitment
  - 225.3 Revenue bonds payable
  - 225.4 Other bonds payable
- 226. Capital leases payable—current
- 227. Other current liabilities
- 228. Customer deposits
- 230. Advance from other funds—\_\_\_\_\_ fund
- 231. Bonds payable—noncurrent
  - 231.1 General obligation bonds payable
  - 231.2 Special assessment debt with government commitment
  - 231.3 Revenue bonds payable
  - 231.4 Other bonds payable
- 232. Unamortized premiums on bonds
- 233. Unamortized discounts on bonds (debit)
- 234. Unamortized charge—refunding bonds
- 235. Notes payable—noncurrent
- 237. Capital leases payable—noncurrent
- 238. Net pension obligation
- 239. Other noncurrent liabilities
- 241. Fund balance—reserved for debt service
- 242. Fund balance—reserved for endowments
- 244. Fund balance—reserved for encumbrances
- 245. Fund balance—reserved for inventories
- 246. Fund balance—reserved for prepaid items
- 247. Fund balance—reserved for noncurrent loans receivable
- 248. Fund balance—reserved for advance to other funds
- 249. Fund balance—reserved for capital assets held for resale
- 250. Fund balance—reserved for \_\_\_\_\_
- 253. Fund balance—unreserved
  - 253.1 Fund balance—unreserved, designated for \_\_\_\_\_
  - 253.2 Fund balance—unreserved—undesignated
- 261. Net assets, invested in capital assets, net of related debt
- 262. Net assets, restricted for \_\_\_\_\_
  - 262.1 Net assets restricted for \_\_\_\_\_—permanent restriction
  - 262.2 Net assets restricted for \_\_\_\_\_—temporary restriction
- 263. Net assets, held in trust for pension benefits

- 264. Net assets, held in trust for pool participants
- 265. Net assets, held in trust for other purposes
- 266. Net assets, unrestricted
- 267. Net assets—general government

## REVENUES AND OTHER FINANCING SOURCES CLASSIFICATION

A summary of the *revenue* and *other financing source* accounts typically used in preparing the governmental fund statement of revenues, expenditures, and changes in fund balances is presented below. Most of these accounts are visible in the illustrative financial statements presented in appendix D. Detailed descriptions of each account are provided later in this appendix.

GAAP require that *program revenues* be distinguished from *general revenues* in the government-wide statement of activities. Furthermore, GAAP require that *program revenues* be classified as either 1) charges for services, 2) operating grants and contributions, or 3) capital grants and contributions. A government may use analysis to obtain the necessary information, or it may use special coding similar to that described earlier for funds:

- 1 General revenue
- 2 Program revenue – charges for services
- 3 Program revenue – operating grants and contributions
- 4 Program revenue – capital grants and contributions

Likewise, analysis or coding would be needed to associate program revenues with the appropriate function or program. Illustrative *function*, *program*, and *activity* classifications are provided later as part of the discussion of *expenditures* and *other financing uses*.

Code	Classification
311.	General property taxes
311.1	Real property
311.2	Personal property
311.21	Tangible personal
311.22	Intangible personal
312.	Property taxes on other than assessed valuation
313.	General sales and use taxes
314.	Selective sales and use taxes
314.1	Motor fuel
314.2	Tobacco products
314.3	Alcoholic beverages
315.	Income taxes
315.1	Individual
315.2	Corporate
315.3	Unincorporated business
316.	Gross receipts business taxes
316.1	Privately owned public utility
316.2	Publicly owned public utility
316.3	Insurance companies
316.4	Amusements
317.	Death and gift taxes
318.	Other taxes
318.1	Severance taxes
318.2	Franchise taxes
319.	Penalties and interest on delinquent taxes
319.1	General property taxes
319.11	Real property



- 319.12 Personal property
- 319.2 Property taxes on other than assessed valuation
- 319.3 General sales and use taxes
- 319.4 Selective sales and use taxes
- 319.5 Income taxes
- 319.6 Gross receipts business taxes
- 319.7 Death and gift taxes
- 320. Licenses and permits
- 321. Business licenses and permits
  - 321.1 Alcoholic beverages
  - 321.2 Health
  - 321.3 Police and protective
  - 321.4 Corporate
  - 321.5 Public utilities
  - 321.6 Professional and occupational
  - 321.7 Amusements
- 322. Nonbusiness licenses and permits
  - 322.1 Building structures and equipment
  - 322.2 Motor vehicles
  - 322.3 Motor vehicle operators
  - 322.4 Hunting and fishing
  - 322.5 Marriage licenses
  - 322.6 Animal licenses
- 330. Intergovernmental revenues
- 331. Federal government grants
  - 331.1 Operating—categorical
    - 331.11 Direct
    - 331.12 Indirect
  - 331.2 Operating—noncategorical
    - 331.21 Direct
    - 331.22 Indirect
  - 331.3 Capital
    - 331.31 Direct
    - 331.32 Indirect
- 333. Federal government payments in lieu of taxes
- 334. State government grants
  - 334.1 Operating—categorical
  - 334.2 Operating—noncategorical
  - 334.3 Capital
- 335. State government shared revenues
  - 335.1 Property taxes
  - 335.2 Income taxes
    - 335.21 Individual income taxes
    - 335.22 Corporate income taxes
  - 335.3 General sales and use taxes
  - 335.4 Motor vehicle fuel taxes
  - 335.5 Motor vehicle licenses
  - 335.6 Tobacco taxes
  - 335.7 Alcoholic beverage taxes
  - 335.8 Death and gift taxes
  - 335.9 Gross receipts business taxes
- 336. State government payments in lieu of taxes
- 337. Local government unit (specify unit) grants
- 338. Local government unit (specify unit) shared revenues
- 339. Local government unit (specify unit) payments in lieu of taxes
- 340. Charges for services
- 341. General government
  - 341.1 Court costs, fees, and charges
  - 341.2 Recording of legal instruments
  - 341.3 Zoning and subdivision fees

- 341.4 Printing and duplicating services
- 342. Public safety
  - 342.1 Special police services
  - 342.2 Special fire protection services
  - 342.3 Correctional fees
  - 342.4 Protective inspection fees
- 344. Sanitation
  - 344.1 Sewerage charges
  - 344.2 Street sanitation charges
  - 344.3 Refuse collection charges
- 345. Health
  - 345.1 Vital statistics
  - 345.2 Health and inspection fees
  - 345.3 Hospital fees
  - 345.4 Clinic fees
  - 345.5 Animal control and shelter fees
- 346. Welfare
  - 346.1 Institutional charges
- 347. Culture-recreation
  - 347.1 Golf fees
  - 347.2 Swimming pool fees
  - 347.3 Playground fees
  - 347.4 Park and recreation concessions
  - 347.5 Auditorium use fees
  - 347.6 Library use fees (not fines)
  - 347.7 Zoo charges
- 351. Fines
  - 351.1 Court
  - 351.2 Library
- 352. Forfeits
- 355. Special assessments
  - 355.1 Capital improvement
  - 355.2 Service
- 361. Investment earnings
  - 361.1 Interest revenues
  - 361.2 Dividends
  - 361.3 Net increase (decrease) in the fair value of investments
- 362. Rents and royalties
- 363. Escheats
- 364. Contributions and donations from private sources
- 365. Contributions from property owners—special assessments
- 370. Special assessment financing
- 390. Other financing sources
- 391. Interfund transfers in—\_\_\_\_\_ fund
- 392. Proceeds of general capital asset dispositions
  - 392.1 Sale of general capital assets
  - 392.2 Compensation for loss of general capital assets
- 393. General long-term debt issued
  - 393.1 General obligation bonds issued
  - 393.2 Special assessment bonds issued
  - 393.3 Special assessment debt with government commitment issued
  - 393.4 Other bonds issued
  - 393.5 Refunding bonds issued
  - 393.6 Premiums on bonds sold
  - 393.7 Capital leases
- 395. Special items—\_\_\_\_\_
- 396. Extraordinary items—\_\_\_\_\_
- 397. Capital contributions

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## EXPENDITURES AND OTHER FINANCING USES CLASSIFICATION

A summary of the *expenditure* and *other financing use* accounts typically used in preparing the governmental fund statement of revenues, expenditures, and changes in fund balances is presented below. Most of these accounts are visible in the illustrative financial statements presented in appendix D. Detailed descriptions of each account are provided later in this appendix.

Expenditure information is used for a variety of different purposes (e.g., internal evaluation, external financial reporting, and intergovernmental comparisons). Accordingly, it is important to apply a multi-faceted classification system to expenditures so that the appropriate information is available, as needed. The major elements of the expenditure classification system typically are as follows:

- *Character*. Classification based upon the fiscal period presumed to benefit from an expenditure. In practice, four character classifications are commonly used:
  - *Current expenditures*. These are expenditures that benefit the current fiscal period.
  - *Capital outlay expenditures*. These are expenditures that benefit both the current and future fiscal periods.
  - *Debt service expenditures*. These are expenditures that benefit prior periods, as well as the current and future fiscal periods.
  - *Intergovernmental*. These are expenditures that represent the transfer of resources to another government.
- *Function or program*. Classification based upon the overall purpose or objective of an expenditure.
  - *Functions*. Functions are group-related activities aimed at accomplishing a major service or regulatory responsibility.
  - *Programs*. Programs include group activities, operations, or organizational units directed to attaining specific purposes or objectives. Sometimes governments use program classifications and sub-classifications in addition to or instead of functional classifications (e.g., program budgeting)
- *Activity*. A specific and distinguishable service performed by one or more organizational components of a government to accomplish a function for which the government is responsible. The activity classification is particularly significant because of its usefulness in isolating data needed to evaluate the economy and efficiency of operations (e.g., expenditures per unit of activity).

In addition to the types of classification just described, it also is essential to classify expenditures by *organizational unit* and by *object class* (i.e., type of goods or services obtained).

Classification by organizational unit is important because a single organizational unit may be responsible for several activities or programs. Conversely, a single activity or program may be the responsibility of more than one organizational unit.

Classification by object also is important. Nonetheless, excessively detailed object classifications should be avoided. As a practical matter, relatively few object classifications typically are needed given the emphasis placed on organizational units, functions (or programs), and activities.

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## FUNCTION, PROGRAM, AND ACTIVITY CLASSIFICATION

<i>Code</i>	<i>Classification</i>
<b>410.</b>	<b>General government</b>
411.	Legislative
411.1	Governing body
411.2	Legislative committees and special bodies
411.3	Ordinances and proceedings
411.4	Clerk of council
412.	Judicial
412.1	Criminal courts
412.2	Grand jury
412.3	Public defender
412.4	Civil courts
412.41	Chancery court
412.42	Small claims court
412.43	Civil court
412.44	Domestic relations court
412.5	Law library
413.	Executive
413.1	Mayor
413.2	Chief executive
413.3	Boards and commissions
414.	Elections
415.	Financial administration
415.1	Finance
415.11	General supervision
415.12	Accounting
415.13	Independent audit
415.14	Budget
415.15	Tax administration
415.16	Treasury
415.17	Licensing
415.18	Purchasing
415.19	Debt administration
415.21	Internal audit
415.3	Law
415.4	Recording and reporting
415.5	Personnel administration
419.	Other—unclassified
419.1	Planning and zoning
419.2	Data processing
419.3	Research and investigation
419.4	General government buildings and plant
<b>420.</b>	<b>Public safety</b>
421.	Police
421.1	Police administration
421.2	Crime control and investigation
421.21	Criminal investigation
421.22	Vice control
421.23	Patrol
421.24	Records and identification



- 421.25 Youth investigation and control
- 421.26 Custody of prisoners
- 421.27 Custody of property
- 421.28 Crime laboratory
- 421.3 Traffic control
- 421.31 Motor vehicle inspection and regulation
- 421.4 Police training
- 421.5 Support service
- 421.51 Communications services
- 421.52 Automotive services
- 421.53 Ambulance services
- 421.54 Medical services
- 421.6 Special detail services
- 421.7 Police stations and buildings
- 422. Fire
- 422.1 Fire administration
- 422.2 Fire fighting
- 422.3 Fire prevention
- 422.4 Fire training
- 422.5 Fire communications
- 422.6 Fire repair services
- 422.7 Medical services
- 422.8 Fire stations and buildings
- 423. Corrections
- 423.1 Correctional administration
- 423.2 Adult correctional institutions
- 423.3 Juvenile correctional institutions
- 423.4 Delinquents in other institutions
- 423.5 Adult probation and parole
- 423.6 Juvenile probation and parole
- 424. Protective inspection
- 424.1 Protective inspection administration
- 424.2 Building inspection
- 424.3 Plumbing inspection
- 424.4 Electrical inspection
- 424.5 Gas inspection
- 424.6 Air conditioning inspection
- 424.7 Boiler inspection
- 424.8 Elevator inspection
- 424.9 Weights and measures
- 429. Other protection
- 429.1 Civil defense
- 429.2 Militia and armories
- 429.3 Traffic engineering
- 429.4 Examination of licensed occupations
- 429.5 Public scales
- 429.6 Flood control
- 431. Highways and streets**
- 431.21 Paved streets
- 431.22 Unpaved streets
- 431.23 Alleys
- 431.24 Sidewalks and crosswalks
- 431.25 Snow and ice removal
- 431.3 Bridges, viaducts, and grade separations
- 431.4 Tunnels
- 431.5 Storm drainage
- 431.6 Street lighting
- 432. Sanitation**
- 432.1 Sanitary administration
- 432.2 Street cleaning

- 432.3 Waste collection
- 432.4 Waste disposal
- 432.5 Sewage collection and disposal
  - 432.51 Sanitary sewer construction
  - 432.52 Sanitary sewer maintenance
  - 432.53 Sanitary sewer cleaning
  - 432.54 New sewer services
  - 432.55 Sewer lift stations
  - 432.56 Sewage treatment plants
- 432.6 Weed control
- 440. Health and welfare**
- 441. Health
  - 441.1 Public health administration
  - 441.2 Vital statistics
  - 441.3 Regulation and inspection
    - 441.31 Food and drugs
    - 441.32 Milk and dairy products
    - 441.33 Other sanitary inspection
  - 441.4 Communicable disease control
    - 441.41 Tuberculosis
    - 441.42 Socially transmitted diseases
    - 441.43 Rabies and animal control
    - 441.44 Other communicable diseases
  - 441.5 Maternal and child health services
    - 441.51 Maternal and preschool
    - 441.52 School
  - 441.6 Adult health services
  - 441.7 Health centers and general clinics
  - 441.8 Laboratory
- 444. Welfare
  - 444.1 Welfare administration
  - 444.2 Institutional care
  - 444.3 Direct assistance
    - 444.31 General assistance
    - 444.32 Old-age assistance
    - 444.33 Aid to dependent children
    - 444.34 Aid to the blind
    - 444.35 Aid to the disabled
    - 444.36 Other direct assistance
  - 444.4 Intergovernmental welfare payments
    - 444.41 General assistance
    - 444.42 Old-age assistance
    - 444.43 Aid to dependent children
    - 444.44 Aid to the blind
    - 444.45 Aid to the disabled
    - 444.46 Other welfare assistance
  - 444.5 Vendor welfare payments
    - 444.51 Vendor medical payments
    - 444.52 Other vendor payments
- 450. Culture—recreation**
- 451. Recreation
  - 451.1 Culture-recreation administration
  - 451.2 Participant recreation
    - 451.21 Supervision
    - 451.22 Recreation centers
    - 451.23 Playgrounds
    - 451.24 Swimming pools
    - 451.25 Golf courses
    - 451.26 Tennis courts
    - 451.27 Other recreational facilities

- 451.3 Spectator recreation
  - 451.31 Botanical gardens
  - 451.32 Museums
  - 451.33 Art galleries
  - 451.34 Zoos
- 451.4 Special recreational facilities
- 452. Parks
  - 452.1 Supervision
  - 452.2 Park areas
  - 452.3 Parkways and boulevards
  - 452.4 Forestry and nursery
  - 452.5 Park policing
  - 452.6 Park lighting
- 455. Libraries
  - 455.1 Library administration
  - 455.2 Circulation
  - 455.3 Catalog
  - 455.4 Reference
  - 455.5 Order
  - 455.6 Periodicals
  - 455.7 Extension
  - 455.8 Special collections
  - 455.9 Branch libraries
- 461. Conservation**
  - 461.1 Water resources
  - 461.2 Agricultural resources
  - 461.3 Forest resources
  - 461.4 Mineral resources
  - 461.5 Fish and game resources
- 463. Urban redevelopment and housing**
  - 463.1 Urban redevelopment and housing administration
  - 463.2 Urban redevelopment
    - 463.21 Redevelopment administration
    - 463.22 Conservation projects
    - 463.23 Rehabilitation projects
    - 463.24 Clearance projects
    - 463.25 Relocation
  - 463.3 Public housing
  - 463.4 Other urban redevelopment
- 465. Economic development and assistance**
  - 465.1 Economic development and assistance administration
  - 465.2 Economic development
  - 465.3 Employment security
- 466. Economic opportunity**
  - 466.1 Job corps
    - 466.11 Men's urban training centers
    - 466.12 Women's urban training centers
    - 466.13 Rural conservation centers
    - 466.14 Youth camps
  - 466.2 Youth work-training programs
    - 466.21 In-school projects
    - 466.22 Out-of-school projects
  - 466.3 Community action programs
    - 466.31 Preschool readiness instruction
    - 466.32 Study centers
    - 466.33 Day-care centers
    - 466.34 Remedial instruction for elementary school students
    - 466.35 Family health education
    - 466.36 Other projects
  - 466.4 Adult basic education

466.5	Assistance to migrant agricultural workers and families
466.6	Work experience programs for needy persons
<b>470.</b>	<b>Debt service</b>
471.1	Bond principal
471.2	Other debt principal
472.1	Interest—bonds
472.2	Interest—other debt
475.	Fiscal agent's fees
476.	Issuance costs
477.	Advance refunding escrow
<b>480.</b>	<b>Intergovernmental expenditures</b>
<b>490.</b>	<b>Other financing uses</b>
491.	Interfund transfers out—_____ fund
492.	Payment to refunded bond escrow agent
493.	Discount on bonds issued
<b>495.</b>	<b>Special items—_____</b>
<b>496.</b>	<b>Extraordinary items—_____</b>

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## CHARACTER AND OBJECT CLASSIFICATION

<i>Code</i>	<i>Classification</i>
100.	Personal services—salaries and wages
110.	Regular employees
120.	Temporary employees
130.	Overtime
200.	Personal services—employee benefits
210.	Group insurance
220.	Social security contributions
230.	Retirement contributions
240.	Tuition reimbursements
250.	Unemployment compensation
260.	Workers' compensation
290.	Other employee benefits
300.	Purchased professional and technical services
310.	Official/ administrative
320.	Professional
330.	Other professional
340.	Technical
400.	Purchased-property services
410.	Utility services
411.	Water/ sewerage
420.	Cleaning services
421.	Disposal
422.	Snow plowing
423.	Custodial
424.	Lawn care
430.	Repair and maintenance services
440.	Rentals
441.	Rental of land and buildings
442.	Rental of equipment and vehicles
450.	Construction services
500.	Other purchased services
520.	Insurance, other than employee benefits
530.	Communications
540.	Advertising
550.	Printing and binding
580.	Travel
600.	Supplies



610.	General supplies
620.	Energy
621.	Natural gas
622.	Electricity
623.	Bottled gas
624.	Oil
625.	Coal
626.	Gasoline
630.	Food
640.	Books and periodicals
700.	Property
710.	Land
720.	Buildings
730.	Improvements other than buildings
740.	Machinery and equipment
741.	Machinery
742.	Vehicles
743.	Furniture and fixtures
800.	Other objects

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## FUND CLASSIFICATION DESCRIPTIONS

*Code      Description*

- 1      **Governmental funds**—The funds through which most government functions typically are financed.
  - 1.1      **General fund.** Accounts for all financial resources except those required to be accounted for in another fund.
  - 1.2      **Special revenue funds.** Account for the proceeds of specific revenue sources (other than those for major capital projects) that are restricted legally to expenditure for specified purposes.
  - 1.3      **Debt service funds.** Account for the accumulation of resources for, and the retirement of, general long-term debt principal and interest.
  - 1.4      **Capital projects funds.** Account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).
  - 1.5      **Permanent funds.** Account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (i.e., for the benefit of the government or its citizenry).
  - 1.6      **Governmental activities (government-wide financial reporting).** Account for balances related to governmental funds that are only reported in the government-wide statement of net assets.
- 2.      **Proprietary funds**—The funds used to account for a government's business-type activities (activities supported at least in part by fees or charges).
  - 2.1      **Enterprise funds.** Account for activities for which a fee is charged to external users for goods or services.
  - 2.2      **Internal service funds.** Account for the financing of goods or services provided by one fund, department, or agency to other funds, departments, or

agencies of the financial reporting entity, or to other governments, on a cost-reimbursement basis.

- 3. **Fiduciary funds**—The funds used to account for assets held by the government as trustee or agent and that cannot be used to support the government's own programs.
  - 3.1 **Pension (and other employee benefit) trust funds.** Account for assets of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans held by a government in a trustee capacity.
  - 3.2 **Investment trust funds.** Account for the external portion of investment pools (including individual investment accounts) reported by the sponsoring government.
  - 3.3 **Private-purpose trust funds.** Account for trust arrangements, including those for escheat property, where principal and income benefit individuals, private organizations, or other governments.
  - 3.4 **Agency funds.** Account for assets held by a government in a purely custodial capacity.

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## CLASSIFICATION DESCRIPTIONS — STATEMENTS OF POSITION

<i>Code</i>	<i>Description</i>
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<b>A.</b>	<b>ASSETS</b>
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- |       |   |
|-------|---|
| 101.  | <b>Cash (including cash equivalents).</b> Currency, coins, checks, money orders, and bankers' drafts on hand or on deposit with an official or agent designated as custodian of cash or demand deposits with financial institutions. Cash equivalents are short-term highly liquid investments including Treasury bills, commercial paper, and money market funds. This account includes certain securities (e.g., Treasury bills) that are classified as investments in the notes to the financial statements to disclose credit and market risks. |
| 101.1 | <b>Petty cash.</b> Currency and coins set aside to make change or pay small obligations when the issuance of a formal voucher or check is not cost-effective.   |
| 102.  | <b>Cash with fiscal agent.</b> Deposits with fiscal agents, such as commercial banks, typically for the payment of bonds and interest.  |
| 103.  | <b>Investments—current.</b> Securities that are expected to be held for less than one year and that generate revenue in the form of interest or dividends. This account includes certain items (e.g., most certificates of deposit) that are classified as deposits in the notes to the financial statements to disclose custodial credit risk.   |
| 104.  | <b>Interest receivable—investments.</b> The amount of interest receivable on all investments.   |
| 105.  | <b>Taxes receivable—current.</b> The uncollected portion of taxes that a government has levied, that are due within one year and that are not yet considered delinquent.  |

- 105.1 **Allowance for uncollectible current taxes (credit).** That portion of current taxes receivable estimated not to be collectible. The balance in this account is reported as a deduction from **taxes receivable—current** to indicate net current taxes receivable.
- 107. **Taxes receivable—delinquent.** Taxes remaining unpaid on and after the date on which a penalty for nonpayment attaches. Delinquent taxes receivable are classified as such until paid, abated, canceled, or converted into tax liens.
- 107.1 **Allowance for uncollectible delinquent taxes (credit).** That portion of delinquent taxes receivable estimated not to be collectible. The balance in this account is reported as a deduction from **taxes receivable—delinquent** to indicate net delinquent taxes receivable.
- 109. **Interest and penalties receivable—taxes.** The uncollected portion of interest and penalties receivable on taxes.
- 109.1 **Allowance for uncollectible interest and penalties (credit).** That portion of interest and penalties receivable on taxes estimated not to be collectible. The balance in this account is reported as a deduction from **interest and penalties receivable—taxes** to indicate net interest and penalties receivable—taxes.
- 111. **Tax liens receivable.** Legal claims against property that have been exercised because of nonpayment of delinquent taxes, interest, and penalties. Amounts accumulated in this account include delinquent taxes, interest, and penalties receivable thereon and costs of converting delinquent taxes into tax liens.
- 111.1 **Allowance for uncollectible tax liens (credit).** That portion of tax liens receivable estimated not to be collectible. The balance in this account is reported as a deduction from **tax liens receivable** to indicate net tax liens receivable.
- 115. **Accounts receivable.** Amounts owed on open accounts from private individuals or organizations for goods and services furnished by a government (excluding amounts due from other funds or intergovernmental receivables). Although taxes and special assessments receivable could be considered forms of accounts receivable, they should be recorded and reported separately in **taxes receivable** and **special assessments receivable** accounts.
- 115.1 **Allowance for uncollectible accounts receivable (credit).** That portion of accounts receivable estimated not to be collectible. The balance in this account is reported as a deduction from **accounts receivable** to indicate net accounts receivable.
- 117. **Unbilled accounts receivable.** The estimated amount of accounts receivable for goods and services rendered but not yet billed to customers.
- 117.1 **Allowance for uncollectible unbilled accounts receivable (credit).** That portion of unbilled accounts receivable estimated not to be collectible. The balance in this account is reported as a deduction from **unbilled accounts receivable** to indicate net unbilled accounts receivable.
- 121. **Special assessments receivable—current.** The uncollected portion of special assessments a government unit has levied. This account represents amounts due within one year and not yet considered delinquent.
- 121.1 **Allowance for uncollectible current special assessments (credit).** That portion of current special assessments receivable estimated not to be collectible. The balance in this account is reported as a deduction from **special assessments receivable—current** to indicate net current special assessments receivable.

- 122. **Special assessments receivable—noncurrent.** Special assessments that have been levied but that are not due within one year.
- 122.1 **Allowance for uncollectible noncurrent special assessments** (credit). That portion of noncurrent special assessments receivable estimated not to be collectible. The balance is reported as a deduction from **special assessments receivable—noncurrent** to indicate net noncurrent special assessments receivable.
- 123. **Special assessments receivable—delinquent.** Special assessments remaining unpaid on and after the date to which a penalty for nonpayment is attached.
- 123.1 **Allowance for uncollectible delinquent special assessments** (credit). That portion of delinquent special assessments receivable estimated not to be collectible. The balance in this account is reported as a deduction from **special assessments receivable—delinquent** to indicate net delinquent special assessments receivable.
- 124. **Special assessment liens receivable.** Legal claims that have been exercised against property because of nonpayment of delinquent special assessments, interest, and penalties. Amounts accumulated in this account include delinquent special assessments, interest, and penalties receivable thereon and costs of converting delinquent special assessments into special assessment liens.
- 124.1 **Allowance for uncollectible special assessment liens** (credit). That portion of special assessment liens receivable estimated not to be collectible. The balance in this account is reported as a deduction from **special assessment liens receivable** to indicate net special assessment liens receivable.
- 125. **Interest receivable—special assessments.** The uncollected portion of interest receivable due on unpaid installments of special assessments.
- 125.1 **Allowance for uncollectible special assessment interest** (credit). That portion of special assessment interest estimated not to be collectible. The balance in the account is reported as a deduction from **interest receivable—special assessments** to indicate net special assessment interest.
- 126. **Intergovernmental receivable.** Amounts due the reporting government from another government. These amounts may represent intergovernmental grants, entitlements, or shared revenues or may represent taxes collected for the reporting government by an intermediary collecting government, loans, and charges for goods or services rendered by the reporting government for another government.
- 127. **Taxes levied for other governments.** Taxes receivable that have been levied for other governments and that are to be collected and distributed to those governments by the reporting government.
- 128. **Notes receivable.** An unconditional written promise, signed by the maker, to pay a certain sum on demand or at a fixed or determinable future time either to the bearer or to the order of a person designated therein.
- 128.1 **Allowance for uncollectible notes** (credit). That portion of notes receivable estimated not to be collectible. The balance in this account is reported as a deduction from **notes receivable** to indicate net notes receivable.
- 129. **Loans receivable.** Amounts that have been loaned to individuals or organizations external to a government, including notes taken as security for such loans. Loans to other funds and governments should be recorded and reported separately.
- 129.1 **Allowance for uncollectible loans** (credit). That portion of loans receivable estimated not to be collectible. The balance in this account is reported as a deduction from **loans receivable** to indicate net loans receivable.



- 130. **Due from other funds** (specify fund). Amounts owed for goods and services rendered to a particular fund by another fund in the government reporting entity or for interfund loans that are due within one year.
- 132. **Due from component unit.** Amounts owed by a discretely presented component unit to a primary government as a result of goods or services provided or loans made to the discretely presented component unit.
- 136. **Rent receivable.** Amounts due to the government pursuant to operating leases and rental agreements.
- 136.1 **Allowance for uncollectible rent** (credit). That portion of rent estimated not to be collectible. The balance in this account is reported as a deduction from rent receivable to indicate net rent receivable.
- 141. **Inventories—materials and supplies.** Materials and supplies on hand for future consumption.
- 142. **Inventories—stores for resale.** Goods held for resale rather than for use in operations.
- 143. **Prepaid items.** Charges entered in the accounts for benefits not yet received. Prepaid items (e.g., prepaid rent and unexpired insurance premiums) differ from deferred charges in that they are spread over a shorter period of time than deferred charges and are regularly recurring costs of operation.
- 149. **Deferred charges.** Nonregularly recurring, noncapital costs of operations that benefit future periods. These costs include those incurred in connection with the issuance of fund debt (e.g., underwriting and legal fees). Although bond discounts can be classified as deferred charges, discounts are reported in account 233.
- 151. **Investments—noncurrent.** Securities and real estate that are held for more than one year and that generate revenue in the form of interest, dividends, rentals, or operating lease payments. This account does not include real estate used in government operations. This account includes certain items (e.g., most certificates of deposit) that are classified as deposits in the notes to the financial statements to disclose custodial credit risk.
- 151.1 **Unamortized premiums—investments.** The unamortized portion of the excess of the amount paid for securities over their face value (excluding accrued interest).
- 151.2 **Unamortized discounts—investments** (credit). The unamortized portion of the excess of the face value of securities over the amount paid for them (excluding accrued interest).
- 152. **Advance to other funds** (specify fund). Amounts that are owed, other than charges for goods and services rendered, to a particular fund by another fund in the government reporting entity and that are not due within one year.
- 153. **Investments—joint venture.** Investments and subsequent allocations of earnings or losses for joint ventures where the government has an equity interest.
- 161. **Land.** Land purchased or otherwise acquired by the government. This account includes costs incurred in preparing land for use (e.g., razing of structures).
- 162. **Infrastructure.** Tangible property that is normally both stationary in nature and can be preserved for a significantly greater number of years than

- other types of tangible property (e.g., roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems).
- 162.1 **Accumulated depreciation—infrastructure** (credit). The accumulation of systematic and rational allocations of the estimated cost of using infrastructure, on a historical cost basis, over the useful lives of the infrastructure. This account is not used for any networks or subsystems of infrastructure that are reported using the modified approach.
163. **Buildings.** Permanent structures purchased or otherwise acquired by the government and improvements thereon. This account includes costs incurred in the acquisition of buildings (e.g., broker's fees).
- 163.1 **Accumulated depreciation—buildings** (credit). The accumulation of systematic and rational allocations of the estimated cost of using buildings, on a historical cost basis, over the useful lives of the buildings.
164. **Improvements other than buildings.** Permanent improvements, other than buildings, that add value to land (e.g., fences, landscaping, parking lots, and retaining walls).
- 164.1 **Accumulated depreciation—improvements other than buildings** (credit). The accumulation of systematic and rational allocations of the estimated cost of using improvements, on a historical cost basis, over the useful lives of the improvements.
165. **Machinery and equipment.** Tangible property of a more or less permanent nature, other than land or buildings and improvements thereon (e.g., machinery, tools, trucks, and furnishings). This account includes costs incurred in the acquisition of machinery and equipment (e.g., transportation costs).
- 165.1 **Accumulated depreciation—machinery and equipment** (credit). The accumulation of systematic and rational allocations of the estimated cost of using machinery and equipment, on a historical cost basis, over the useful lives of the machinery and equipment.
166. **Construction in progress.** The cost of construction undertaken but not yet completed.
170. **Other assets.** Intangible assets and other assets not previously classified. Appropriately descriptive account titles should be used for these items.
- B. LIABILITIES, FUND BALANCES, AND NET ASSETS**
201. **Vouchers payable.** Liabilities for goods and services evidenced by vouchers that have been pre-audited and approved for payment but that have not been paid. This account can include salaries and wages and related payroll taxes payable.
202. **Accounts payable.** A short-term liability account reflecting amounts owed to private persons or organizations for goods and services received by a government.
203. **Compensated absences payable.** Amounts owed to employees for unpaid vacation and sick leave liabilities.
204. **Claims and judgments payable.** Amounts owed as the result of administrative or court decisions, including workers' compensation, unemployment, improper arrests, property damage, and condemnation awards.
205. **Contracts payable.** Amounts due on contracts for goods or services furnished to a government.

206. **Retainage payable.** Amounts due on construction contracts. Such amounts represent a percentage of the total contract price that is not paid pending final inspection, the lapse of a specified time, or both.
207. **Intergovernmental payable.** Amounts owed by the government reporting entity to another government.
208. **Due to other funds** (specify fund). Amounts owed for goods and services rendered by a particular fund to another fund in the government reporting entity or for interfund loans that are due within one year.
210. **Due to component unit.** Amounts owed by a primary government to a discretely presented component unit as a result of goods or services provided or loans made by the discretely presented component unit.
212. **Matured bonds payable.** Unpaid bonds that have reached or passed their maturity date.
213. **Matured interest payable.** Unpaid interest on bonds that have reached or passed their maturity date.
214. **Accrued interest payable.** Interest costs related to the current period and prior periods, but not due until a later date.
222. **Deferred revenue—unavailable.** Amounts under the modified accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts are measurable but not available for expenditure.
223. **Deferred revenue—unearned.** Amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.
224. **Notes payable—current.** The face value of notes generally due within one year, including tax anticipation and revenue anticipation notes payable.
225. **Bonds payable—current.** The face value of bonds due within one year, except for deep-discount bonds (e.g., zero-coupon). The accreted value of deep-discount bonds due within one year should be presented in this account.
- 225.1 **General obligation bonds payable.** The face value of general obligation bonds due within one year.
- 225.2 **Special assessment debt with government commitment.** The face value of special assessment bonds due within one year when the government is secondarily obligated for the repayment of the bonds.
- 225.3 **Revenue bonds payable.** The face value of revenue bonds due within one year.
- 225.4 **Other bonds payable.** The face value of bonds due within one year to be repaid from specific governmental fund revenues.
226. **Capital leases payable—current.** Current portion of the discounted present value of total future stipulated payments on lease agreements that were capitalized.
227. **Other current liabilities.** Appropriately descriptive account titles should be used for such items.
228. **Customer deposits.** Liability for deposits made by customers as a prerequisite to receiving the goods or services the government provides.

230. **Advance from other funds** (specify funds). Amounts that are owed, other than charges for goods and services rendered, by a particular fund to another fund in the government reporting entity and that are not due within one year.
231. **Bonds payable—noncurrent.** The face value of bonds not due within one year, except for deep-discount bonds (e.g., zero-coupon). The accreted value of deep discount bonds not due within one year should be presented in this account.
  - 231.1 **General obligation bonds payable.** The face value of general obligation bonds not due within one year.
  - 231.2 **Special assessment debt with government commitment.** The face value of special assessment bonds not due within one year when the government is obligated in some manner for repayment of the bonds.
  - 231.3 **Revenue bonds payable.** The face value of revenue bonds not due within one year.
  - 231.4 **Other bonds payable.** The face value of bonds that are not due within one year and that are to be repaid from specific governmental fund revenues.
232. **Unamortized premiums on bonds.** The unamortized portion of the excess of bond proceeds over their face value (excluding accrued interest and issuance costs).
233. **Unamortized discounts on bonds** (debit). The unamortized portion of the excess of the face value of bonds over the amount received from their sale (excluding accrued interest and issuance costs).
234. **Unamortized charge—refunding bonds.** The unamortized portion of the difference between the reacquisition price and the net carrying amount of debt that has been refunded in either an advance refunding or current refunding transaction. This account is added to or deducted from the related debt reported on the balance sheet.
235. **Notes payable—noncurrent.** The face value of notes not due within one year.
237. **Capital leases payable—noncurrent.** Noncurrent portion of the discounted present value of total future stipulated payments on lease agreements that are capitalized.
238. **Net pension obligation.** The cumulative difference between annual pension cost and the employer's contributions to a pension plan.
239. **Other noncurrent liabilities.** Appropriately descriptive account titles should be used for these items.
241. **Fund balance—reserved for debt service.** Segregation of a portion of fund balance for resources legally restricted to the payment of general long-term debt principal and interest maturing in future years.
242. **Fund balance—reserved for endowments.** Account used to indicate that permanent trust fund balance amounts are legally restricted to endowment purposes.
244. **Fund balance—reserved for encumbrances.** Segregation of a portion of fund balance for commitments related to unperformed contracts.
245. **Fund balance—reserved for inventories.** Segregation of a portion of a fund balance to indicate, using the purchases method for budgetary pur-



poses, that inventories do not represent expendable available financial resources.

- 246. **Fund balance—reserved for prepaid items.** Segregation of a portion of fund balance to indicate that prepaid items do not represent expendable available financial resources.
- 247. **Fund balance—reserved for noncurrent loans receivable.** Segregation of a portion of fund balance to indicate that noncurrent portions of loans receivable do not represent expendable available financial resources.
- 248. **Fund balance—reserved for advance to other funds.** Segregation of a portion of a fund balance to indicate that advances to other funds do not represent expendable available financial resources.
- 249. **Fund balance—reserved for capital assets held for resale.** Segregation of a portion of fund balance to indicate that capital assets held for resale do not represent expendable available financial resources.
- 250. **Fund balance—reserved for \_\_\_\_\_**
- 253. **Fund balance—unreserved.** The excess of the assets of a governmental fund over its liabilities and reserved fund balance accounts.
- 253.1 **Fund balance—unreserved, designated** (specify designation). Segregation of a portion of fund balance to indicate tentative plans for future financial resource use, such as general contingencies or equipment replacement. These designations reflect tentative managerial plans or intent and should be clearly distinguished from reserves.
- 253.2 **Fund balance—unreserved, undesignated.** Portion of fund balance representing expendable available financial resources.
- 261. **Net assets, invested in capital assets, net of related debt.** The component of the difference between assets and liabilities of proprietary funds that consists of capital assets less both accumulated depreciation and the outstanding balance of debt (e.g., bonds, mortgages, notes) that is directly attributable to the acquisition, construction, or improvement of those assets.
- 262. **Net assets, restricted for \_\_\_\_\_.** The component of the difference between assets and liabilities of proprietary funds that consists of assets with constraints placed on their use by either external parties (e.g., creditors or grantors) or through constitutional provisions or enabling legislation.
- 262.1 **Net assets, restricted for \_\_\_\_\_—permanent restriction** are net assets that may never be spent (e.g., endowments).
- 262.2 **Net assets, restricted for \_\_\_\_\_—temporary restriction** are net assets that may be spent at some time, either in the present or future.
- 263. **Net assets, held in trust for pension benefits.** The difference between the assets and liabilities of pension plans reported by the employer or sponsor government in a pension trust fund.
- 264. **Net assets, held in trust for pool participants.** The difference between the assets and liabilities of external investment pools reported by the sponsor government in an investment trust fund.
- 265. **Net assets, held in trust for other purposes.** The difference between the assets and liabilities of fiduciary funds, other than pension trust funds or investment trust funds.

266. **Net assets, unrestricted.** The difference between the assets and liabilities of proprietary funds that is not reported as **net assets, invested in capital assets, net of related debt** or **restricted net assets**.
267. **Net assets—general government.** The difference between general government asset and liability accounts.

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## REVENUES AND OTHER FINANCING SOURCES CLASSIFICATION DESCRIPTIONS

### *Code      Description*

311. **General property taxes** are ad valorem taxes levied on an assessed valuation of real and/ or personal property. The distinguishing characteristics of general property taxes are that the revenues are (1) derived from taxes (2) levied by the government reporting entity, and (3) assessed on the general property. From this group are eliminated (1) all nontax revenue (2) all taxes levied by another level of government, such as a county or state or the federal government, even when they are distributed to another government, and (3) all taxes levied by the government reporting entity upon subjects or bases other than general property.
- 311.1 **Real property**
- 311.2 **Personal property**
- 311.21 **Tangible personal**
- 311.22 **Intangible personal**
312. **Property taxes on other than assessed valuation** are direct taxes (1) assessed and levied on a valuation other than the general assessed valuation usually applied in the case of privately owned real property or (2) calculated at a specified rate per unit. Examples include taxes on a corporation's property levied upon the basis of the amount of corporate stock, corporate indebtedness or some basis other than an assessed valuation applied to all the corporation's property; taxes on banks and savings and loan associations levied in proportion to a certain specified portion of deposits; taxes on life insurance corporations assessed upon the basis of the valuation of their policies and all specific taxes on property, such as taxes on land at a specified amount per acre and taxes on animals at a specified amount per head.
313. **General sales and use taxes** are imposed upon the sale or consumption of goods and/ or services, generally with few or limited exemptions. An example of a general sales tax is a tax on the retail price of all goods sold within a taxing jurisdiction, with the exception of food purchased for consumption off the premises.
314. **Selective sales and use taxes** are imposed upon the sale or consumption of selected goods or services.
- 314.1 **Motor fuel**
- 314.2 **Tobacco products**
- 314.3 **Alcoholic beverages**
315. **Income taxes** are measured by net income (i.e., by gross income less certain deductions permitted by law).
- 315.1 **Individual**
- 315.2 **Corporate**
- 315.3 **Unincorporated business** (when business income is taxed separately from individual income)

- 316. **Gross receipts business taxes** are levied in proportion to gross receipts on business activities of all or designated types of businesses.
  - 316.1 **Privately owned public utility**
  - 316.2 **Publicly owned public utility**
  - 316.3 **Insurance companies**
  - 316.4 **Amusements**
- 317. **Death and gift taxes** are imposed upon the transfer of property at death or gifts made in contemplation of death.
- 318. **Other taxes**
  - 318.1 **Severance taxes** are imposed on the privilege of removing designated natural resources from land or water. They are based upon the value and/ or amount of resources removed or sold.
  - 318.2 **Franchise taxes** are imposed on the privilege of using public property for private purposes.
- 319. **Penalties and interest on delinquent taxes** are amounts assessed as penalties for the payment of taxes after their due date, and the interest charged on delinquent taxes from their due date to the date of actual payment. Separate accounts should be used for penalties and interest on each type of tax.
  - 319.1 **General property taxes**
    - 319.11 **Real property**
    - 319.12 **Personal property**
  - 319.2 **Property taxes on other than assessed valuation**
  - 319.3 **General sales and use taxes**
  - 319.4 **Selective sales and use taxes**
  - 319.5 **Income taxes**
  - 319.6 **Gross receipts business taxes**
  - 319.7 **Death and gift taxes**
- 320. **Licenses and permits** generally are segregated into business and nonbusiness categories.
- 321. **Business licenses and permits** are revenues from businesses and occupations that must be licensed before doing business within the government's jurisdiction.
  - 321.1 **Alcoholic beverages**
  - 321.2 **Health**
  - 321.3 **Police and protective**
  - 321.4 **Corporate**
  - 321.5 **Public utilities**
  - 321.6 **Professional and occupational**
  - 321.7 **Amusements**
- 322. **Nonbusiness licenses and permits** are revenues from all nonbusiness licenses and permits levied according to the benefits presumably conferred by the license or permit.
  - 322.1 **Building structures and equipment**
  - 322.2 **Motor vehicles**
  - 322.3 **Motor vehicle operators**
  - 322.4 **Hunting and fishing**
  - 322.5 **Marriage licenses**
  - 322.6 **Animal licenses**
- 330. **Intergovernmental revenues** are revenues from other governments in the form of operating grants, entitlements, shared revenues, or payments in lieu of taxes.
 

An operating grant is a contribution or gift of cash or other assets from another government to be used or expended for a specified purpose, activ-

ity, or facility. Capital grants are restricted by the grantor for the acquisition and/ or construction of capital assets. A grant may be received either directly from the granting government or indirectly as a pass-through from another government.

An entitlement is the amount of payment to which a government is entitled pursuant to an allocation formula contained in applicable statutes. A shared revenue is a revenue levied by one government but shared on a predetermined basis, often in proportion to the amount collected at the local level, with another government or class of governments.

Payments in lieu of taxes are payments made from general revenues by one government to another in lieu of taxes it would have to pay, had its property or other tax base been subject to taxation by the recipient government on the same basis as privately owned property or other tax base.

- 331. **Federal government grants**
  - 331.1 **Operating—categorical**
    - 331.11 **Direct**
    - 331.12 **Indirect**
  - 331.2 **Operating—noncategorical**
    - 331.21 **Direct**
    - 331.22 **Indirect**
  - 331.3 **Capital**
    - 331.31 **Direct**
    - 331.32 **Indirect**
- 333. **Federal government payments in lieu of taxes**
- 334. **State government grants**
  - 334.1 **Operating—categorical**
  - 334.2 **Operating—noncategorical**
  - 334.3 **Capital**
- 335. **State government shared revenues**
  - 335.1 **Property taxes**
  - 335.2 **Income taxes**
    - 335.21 **Individual income taxes**
    - 335.22 **Corporate income taxes**
  - 335.3 **General sales and use taxes**
  - 335.4 **Motor vehicle fuel taxes**
  - 335.5 **Motor vehicle licenses**
  - 335.6 **Tobacco taxes**
  - 335.7 **Alcoholic beverage taxes**
  - 335.8 **Death and gift taxes**
  - 335.9 **Gross receipts business taxes**
- 336. **State government payments in lieu of taxes**
- 337. **Local government unit (specify unit) grants**
- 338. **Local government unit (specify unit) shared revenues**
- 339. **Local government unit (specify unit) payments in lieu of taxes**
- 340. **Charges for services** are charges for current services exclusive of revenues of proprietary funds.
- 341. **General government**
  - 341.1 **Court costs, fees, and charges**
  - 341.2 **Recording of legal instruments**
  - 341.3 **Zoning and subdivision fees**



- 341.4 **Printing and duplicating services**
- 342. **Public safety**
  - 342.1 **Special police services**
  - 342.2 **Special fire protection services**
  - 342.3 **Correctional fees**
  - 342.4 **Protective inspection fees**
- 344. **Sanitation**
  - 344.1 **Sewerage charges**
  - 344.2 **Street sanitation charges**
  - 344.3 **Refuse collection charges**
- 345. **Health**
  - 345.1 **Vital statistics**
  - 345.2 **Health and inspection fees**
  - 345.3 **Hospital fees**
  - 345.4 **Clinic fees**
  - 345.5 **Animal control and shelter fees**
- 346. **Welfare**
  - 346.1 **Institutional charges**
- 347. **Culture-recreation**
  - 347.1 **Golf fees**
  - 347.2 **Swimming pool fees**
  - 347.3 **Playground fees**
  - 347.4 **Park and recreation concessions**
  - 347.5 **Auditorium use fees**
  - 347.6 **Library use fees (not fines)**
  - 347.7 **Zoo charges**
- 351. **Fines** include monies derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations, and for the neglect of official duty.
  - 351.1 **Court**
  - 351.2 **Library**
- 352. **Forfeits** include monies derived from confiscating deposits held as performance guarantees.
- 355. **Special assessments** are amounts levied against certain properties to defray all or part of the cost of a specific capital improvement or service deemed to benefit primarily those properties.
  - 355.1 **Capital improvement**
  - 355.2 **Service**
- 361. **Investment earnings** are compensation for the use of financial resources over a period of time.
  - 361.1 **Interest revenues**
  - 361.2 **Dividends**
  - 361.3 **Net increase (decrease) in the fair value of investments**
- 362. **Rents and royalties** are financial resources derived from the use by others of the government's tangible and intangible assets.
- 363. **Escheats** are the uncompensated acquisition of private property abandoned or otherwise alienated by its owners.

364. **Contributions and donations from private sources** are financial resources provided by private contributors.
365. **Contributions from property owners—special assessments** are resources provided by the issuance of special assessment debt for which the government is not obligated in any manner.
390. **Other financing sources**
391. **Interfund transfers in** (specify fund) are financial inflows from other funds of the government reporting entity that are not classified as interfund services provided and used, reimbursements or loans.
392. **Proceeds of general capital asset dispositions** are financial inflows provided from the disposition of general capital assets.
- 392.1 **Sales of general capital assets**
- 392.2 **Compensation for loss of general capital assets**
393. **General long-term debt issued** is the face amount of general long-term debt, which is often different from the financial resources provided because of discounts and premiums resulting from market conditions or bond issuance costs (e.g., underwriting or legal fees). In the case of capital leases, however, it is the net present value of the minimum lease payments.
- 393.1 **General obligation bonds issued**
- 393.2 **Special assessment bonds issued**
- 393.3 **Special assessment debt with government commitment issued**
- 393.4 **Other bonds issued**
- 393.5 **Refunding bonds issued**
- 393.6 **Premiums on bonds sold**
- 393.7 **Capital leases**
395. **Special items** result from significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence.
396. **Extraordinary items** are transactions or other events that are both unusual in nature and infrequent in occurrence.
397. **Capital contributions** are contributions to permanent or term endowments, including those reported in permanent funds.

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## EXPENDITURES AND OTHER FINANCING USES CLASSIFICATION DESCRIPTIONS

<i>Code</i>	<i>Description</i>
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|------|--|
| 410. | <b>General government</b> is charged with all expenditures for the legislative and judicial branches of a government. It also is charged with expenditures made by the chief executive officer and other top-level auxiliary and staff agencies in the administrative branch of the government. The accounts are subdivided into three groups: legislative, judicial, and executive. |
|------|--|
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## FUNCTION, PROGRAM, AND ACTIVITY CLASSIFICATION

411. **Legislative** is charged with expenditures of a governing body in the performance of its primary duties and subsidiary activities. A decision

whether a given item should be charged to a legislative account is based on whether the item is a direct or an indirect cost. Direct costs are charged to legislative accounts. Indirect costs are charged to another account, usually a staff agency account (e.g., public safety—police).

411.1 **Governing body** is charged with the direct expenditures of the governing body. Direct expenditures, which include salaries and travel costs, represent expenditures incurred by members themselves or by a committee of the governing body. Indirect expenditures represent expenditures incurred for the governing body by a staff agency or official.

If the governing body is composed partly or wholly of administrative officials (e.g., the commissioner under the commission form of government), their salaries are charged to the departments they direct. (See 413.3 below.) If additional compensation is specifically provided in return for services as members of such body, their regular salaries are charged as explained above, and the remainder is charged to this account (411.1). The salaries of citizen members of such bodies also are charged to this account.

Expenditures of commissions or bodies acting in both a legislative and an executive capacity are classified as executive if their legislative function is incidental and subordinate to the executive function. The most common example of a dual capacity is encountered under the commission form of government. Expenditures of boards composed of exofficio members performing predominantly executive functions are charged to the respective functions headed by the board members.

411.2 **Legislative committees and special bodies** is charged with expenditures of regular committees of the governing body, special investigating committees, boards, or representatives responsible solely to the governing body. Costs of an investigation preliminary to the purchase of equipment or properties for a specific department should be included as a cost of the purchase.

411.3 **Ordinances and proceedings** is charged with expenditures for printing and advertising ordinances and for printing the proceedings of the governing body.

411.4 **Clerk of council** is charged with expenditures for the office of clerk of council. Where other officials (city clerk) also perform the duty of the clerk of council in addition to their regular duties, their expenditures are usually charged to account 415.4. Although it may not be practicable to allocate their expenditures to accounts other than 415.4, whenever possible these expenditures should be apportioned to 411.4 and 415.4 in proportion to the time required for each office.

412. **Judicial** includes accounts for recording expenditures for judicial activities of the government.

412.1 **Criminal courts** is charged with expenditures for judicial activities involving criminal cases. When several courts try criminal cases, expenditures should be classified further by each court.

412.2 **Grand jury** is charged with expenditures for grand jury hearings and includes compensation of jurors, witness fees, investigation costs, and clerical costs.

412.3 **Public defender** is charged with expenditures for the office of public defender. If the public defender is attached to and a part of the law office, it may not be possible to segregate expenditures related to the activities performed as public defender. In such a case, the expenditure should be included in account 415.3.

412.4 **Civil courts** is charged with expenditures for judicial activities involving civil cases. When several courts try civil cases, expenditures should be classified by each court, such as **chancery court**

- (412.41), **small claims court** (412.42), **civil court** (412.43), and **domestic relations court** (412.44).
- 412.5 **Law library** is charged with all expenditures for acquiring and maintaining a law library.
413. **Executive** includes accounts for recording expenditures of general executive officers and boards of the government.
- 413.1 **Mayor** is charged with expenditures for salaries and other costs of the mayor and employees connected with his or her office in the mayor-council form of government. Expenditures of a mayor under the council-manager form of government are charged to account 411.1 (governing body), and those for a mayor under the commission form are charged to the functions the mayor directs.
- 413.2 **Chief executive** is charged with expenditures of the government's chief executive and the employees connected with his or her office. This account title may be changed to indicate the chief executive's specific title, such as **manager** or **administrator**.
- 413.3 **Boards and commissions** is charged with expenditures of elected commissioners under the commission form of government and expenditures of other boards and commissions acting primarily in executive capacities to the extent that such expenditures cannot be allocated to the functions the commissioners or board members direct. Expenditures of elected commissioners who are also executive officers should be charged to the functions they direct to reflect the complete cost of each function of government. When a commissioner directs the finance function, the expenditures of his or her office should be charged to account 415.
- Expenditures of a commissioner of utilities should not be charged to an account in the general fund, but to the proper accounts of the government's utility funds. When a commissioner directs two or more departments, the expenditures of that office should be allocated to the functions under the commissioner's direction.
414. **Elections** includes accounts for recording direct expenditures for registering voters and holding general, primary and special elections. Salaries of the officials and police performing election duties recurrently and incidentally as part of their broader duties are not charged to elections but to their respective departmental activities. The salaries of election deputies, judges, tellers, hired watchers or inspectors, special clerks, and special police are chargeable to this account.
415. **Financial administration** includes accounts for recording expenditures of central staff agencies performing financial management functions for the government.
- 415.1 **Finance** includes individual accounts for each of the following types of financial activities: **general supervision** (415.11), **accounting** (415.12), **independent audit** (415.13), **budget** (415.14), **tax administration** (415.15), **treasury** (415.16), **licensing** (415.17), **purchasing** (415.18), **debt administration** (415.19), and **internal audit** (415.21), if not performed in an independent role.
- 415.3 **Law** includes accounts for recording expenditures for legal services required by a government in the discharge of its functions and activities. Included are the costs of the attorney or other attorneys who render legal advice to the governing body or administrative agencies of the government, who draft laws, ordinances, or administrative regulations for it and its constituent agencies and who serve as counsel in lawsuits to which the government is a party.
- 415.4 **Recording and reporting** includes accounts for recording expenditures of those staff agencies whose main activity is the preparation



and recording of government documents, records, proceedings, and papers. These include the recording of deeds, mortgages, and similar legal documents; and general public reports of the government. The clerical, stenographic, and filing costs of individual offices and agencies are not charged to these accounts, but to appropriate accounts elsewhere on the basis of functions and activities performed by such agencies.

415.5 **Personnel administration** includes accounts that record expenditures of the agency or agencies performing central personnel and related services for the entire government. Such services include general supervision of personnel management, classification of positions, recruitment, placement (transfers, promotions, demotions), service ratings, attendance, certification of payrolls, separations, fringe benefits, and retirement systems.

419. **Other—unclassified**

419.1 **Planning and zoning**

419.2 **Data processing**

419.3 **Research and investigation**

419.4 **General government buildings and plant**

420. **Public safety**, a major function of government, has as its objective the protection of persons and property. The major subfunctions under public safety are police protection, fire protection, protective inspection, and correction.

421. **Police** includes accounts for recording expenditures incurred by the police department in the administration of various law enforcement activities.

421.1 **Police administration** is charged with all expenditures incurred by the chief of police and assistant chiefs in supervising the activities of the police department. In addition to directing departmental personnel and budgetary responsibilities, this supervision may include long-range planning, research into problems of criminal activity and law enforcement, and investigatory and intelligence activities that disclose the integrity and effectiveness of the department's administrative activities and that provide information on known criminals and organized crime.

421.2 **Crime control and investigation**

421.21 **Criminal investigation** is charged with expenditures made by detectives in investigating criminal activities, detecting and arresting criminal offenders, obtaining evidence for prosecution of criminal cases, filing cases, returning fugitive felons from other jurisdictions, testifying in court cases, locating missing persons, and recovering lost or stolen property. If a separate organizational unit handles youth and juvenile delinquency problems, its expenditures should not be recorded in this account, but should be recorded in account 421.25.

421.22 **Vice control** is charged with expenditures arising out of activities to suppress vice. These include investigation and procurement of evidence necessary for prosecution in gambling, prostitution, narcotics, and related cases and for regulation of vice-related businesses.

421.23 **Patrol** is charged with all expenditures for uniformed police patrol of assigned districts and such related police activities as investigating law violations of all kinds, arresting law violators, checking premises for illegal entry, checking open doors and windows, making reports of traffic accidents and other law violations, including suspected criminal activity.

- 421.24 **Records and identification** is charged with expenditures connected with the maintenance of the records of all police incidents and criminals, such as fingerprints, photographs, and case histories.
- 421.25 **Youth investigation and control** is charged with expenditures arising out of investigations of complaints against juveniles; programs to control juvenile delinquency; law violations involving accessories, accomplices, or contributors to the delinquency of minors; programs for self-education, rehabilitation and job placement for reformed youths; and location of missing juveniles.
- 421.26 **Custody of prisoners** is charged with all expenditures for the temporary detention and custody of offenders. Such expenditures include costs of operating a jail and caring for prisoners, pending conviction or permanent disposition of their cases. Maintaining prisoners serving sentences in penal institutions should not be charged to this account, but should be charged to appropriate corrections accounts (423).
- 421.27 **Custody of property** is charged with expenditures required in caring for property belonging to prisoners, lost and found properties, and stolen and recovered properties.
- 421.28 **Crime laboratory** is charged with all expenditures for laboratory examinations and analyses of physical evidence involved in law enforcement.
- 421.3 **Traffic control** is charged with expenditures arising out of controlling traffic, enforcing traffic laws, operating radar units, investigating traffic accidents, checking parking meter violations, issuing tickets for such violations, patrolling streets, and issuing tickets for moving violations.
- 421.31 **Motor vehicle inspection and regulation** is charged with expenditures for examining and licensing motor vehicles and motor vehicle operators.
- 421.4 **Police training** is charged with expenditures for training police officers. This training may include formal basic training for recruits, in-service training for commissioned police officers, and maintenance of training facilities.
- 421.5 **Support service**
  - 421.51 **Communications services** is charged with all expenditures for providing and maintaining police communications, including receipt of calls for police assistance, dispatch of police units, and maintenance of police communications equipment.
  - 421.52 **Automotive services** is charged with all expenditures for maintaining and servicing police vehicles, towing for police and confiscated vehicles, and equipping police vehicles with special equipment.
  - 421.53 **Ambulance services** is charged with expenditures for emergency ambulance services provided directly by the police department or provided as a contracted service by the government.
  - 421.54 **Medical services** is charged with expenditures for rendering first aid to civilians and for medical examinations, treatment and hospital care of prisoners and policemen, either directly by the government or as a contracted service.
- 421.6 **Special detail services** is charged with expenditures for police personnel exercising police functions outside of regular police assignments. This account includes special services for which the government receives compensation from private sources or other governments.

- 421.7 **Police stations and buildings** is charged with expenditures for police stations and buildings other than the general municipal building. If buildings are rented, rental payments are charged to this account.
422. **Fire** includes accounts for recording the expenditures incurred by the fire department in preventing and fighting fires.
- 422.1 **Fire administration** is charged with expenditures of the fire chief and immediate assistants in supervising all the activities of the fire department. These activities include general administration of all official policies, budgetary and personnel administration, and long-range planning and research.
- 422.2 **Fire fighting** is charged with expenditures for extinguishing fires and for providing such special services as building and fire-hydrant inspections, and assistance to persons and property during a disaster.
- 422.3 **Fire prevention** is charged with expenditures for such fire prevention activities as inspection of fire hazards, investigation of the causes of fires, investigation and prosecution of persons involved in incendiary fires, fire prevention education, control of inflammable materials, and enforcement of fire prevention ordinances.
- 422.4 **Fire training** is charged with all expenditures for training firefighters either in the department or by educational institutions outside the government. This account is also charged with maintenance of special training facilities.
- 422.5 **Fire communications** is charged with expenditures for the acquisition, operation, and maintenance of fire alarm systems and other communication systems used by the fire department in preventing and fighting fires. It also is charged with the maintenance of current coverage maps and assignment schedules for fire apparatus and with the maintenance of records showing the locations of and changes in fire hydrants and sprinkler systems.
- 422.6 **Fire repair services** is charged with all expenditures for repair of fire apparatus and equipment and for conducting regular equipment tests.
- 422.7 **Medical services** is charged with all expenditures for the medical examination, treatment, and care of sick or injured firefighters.
- 422.8 **Fire stations and buildings** is charged with expenditures for fire stations and buildings other than the general municipal building. If buildings are rented, rental payments are charged to this account.
423. **Corrections** includes accounts for recording expenditures for confinement of law violators and for probation and parole activities involved in their rehabilitation.
- 423.1 **Correctional administration** is charged with expenditures of any officer, board, or commission having top-level responsibility for correctional activities. Expenditures for supervision of individual institutions are charged to the appropriate institution.
- 423.2 **Adult correctional institutions** is charged with expenditures for the construction, operation, and maintenance of such correctional institutions as prisons, jails, prison factories, and prison farms. A separate subsidiary account should be established for each institution operated by the government.
- 423.3 **Juvenile correctional institutions** is charged with expenditures for the construction, operation, and maintenance of correctional institutions for the punishment and rehabilitation of juvenile offenders. Such institutions include jails, detention homes, and reformatories. When a government maintains more than one institution of this kind, separate accounts should be established for each institution.

- 423.4 **Delinquents in other institutions** is charged with expenditures for offenders confined in correctional institutions of other government jurisdictions, including jails, prisons, detention homes, reformatories, and foster homes. These expenditures include payments for transporting delinquents to and from such institutions. If both adult and youth offenders are cared for in this manner, this account should be divided into two separate accounts, one for youth and one for adults.
- 423.5 **Adult probation and parole** is charged with expenditures incurred in the supervision of adult offenders who are paroled or placed on probation.
- 423.6 **Juvenile probation and parole** is charged with expenditures incurred in the supervision of juvenile offenders who are paroled or placed on probation.
- 424. **Protective inspection** includes accounts for recording expenditures incurred in making protective inspections, except those related to health and fire and those definitively assigned to other functions.
  - 424.1 **Protective inspection administration** is charged with expenditures for the centralized administration of two or more inspection services.
  - 424.2 **Building inspection** is charged with expenditures incurred in the examination of building plans, inspection of building construction, inspection of existing buildings for structural defects and compliance with minimum housing standards, and issuance of building permits.
  - 424.3 **Plumbing inspection** is charged with expenditures incurred in the examination of plumbing plans, inspection of plumbing installations, and issuance of building permits.
  - 424.4 **Electrical inspection** is charged with expenditures incurred in the examination of electrical plans, inspection of electrical installations, and issuance of electrical permits.
  - 424.5 **Gas inspection** is charged with expenditures incurred in the examination of gas installations and fittings and issuance of gas permits.
  - 424.6 **Air conditioning inspection** is charged with expenditures incurred in the examination of plans for air conditioning installations, inspection of such installations, and issuance of permits.
  - 424.7 **Boiler inspection** is charged with expenditures for examining the plans for and the installation and operation of boilers, pressure tanks, steam engines, and similar devices.
  - 424.8 **Elevator inspection** is charged with expenditures for examining the plans for and the installation and operation of elevators, dumb waiters, and escalators.
  - 424.9 **Weights and measures** is charged with expenditures for determining the accuracy of devices used for weighing and measuring physical objects, checking such devices periodically, investigating complaints, and prosecuting violators.
- 429. **Other protection** includes accounts for protection activities that are not strictly a part of the foregoing major account groupings.
  - 429.1 **Civil defense** is charged with expenditures for the preparation of survival plans to be used in the event of war or natural disaster, for the administration of training programs for protection and survival, and for the provision and inspection of shelters, shelter supplies, and other civil defense installations and equipment.
  - 429.2 **Militia and armories** is charged with expenditures for the construction and maintenance of armories, support of militias, and construction and maintenance of related facilities.
  - 429.3 **Traffic engineering** is charged with expenditures for investigations relating to the design and location of traffic control devices



- and for the installation and maintenance of such traffic control and parking devices as traffic signals, street and curb markings, street signs, and parking meters.
- 429.4 **Examination of licensed occupations** is charged with the expenditures of boards and other administrative personnel who examine and license individuals to practice certain professions and vocations.
- 429.5 **Public scales** is charged with all expenditures incurred in the provision and maintenance of public scales.
- 429.6 **Flood control** is charged with expenditures for walls, levees, and other devices that protect persons and property from surface water damage.
431. **Highways and streets** includes accounts for recording expenditures for roadways and walkways, according to the type of facility involved. Roadways and walkways in parks are not charged to this account, but to appropriate accounts under the function of **culture-recreation** (450).
- 431.21 **Paved streets** is charged with expenditures for construction, maintenance and repair of street surfaces, curbs, and gutters on streets paved with concrete, asphalt, or brick.
- 431.22 **Unpaved streets** is charged with expenditures incurred for construction, maintenance, and repair of unpaved streets, including scraping, grading, graveling, dragging, cinder-ing, and oiling.
- 431.23 **Alleys** is charged with expenditures for the construction, maintenance, and repair of alleys.
- 431.24 **Sidewalks and crosswalks** is charged with expenditures for the construction, maintenance, and repair of sidewalks, crosswalks, steps, and stairs.
- 431.25 **Snow and ice removal** is charged with expenditures for removing snow and ice and for sanding or salting streets, alleys, bridges, and sidewalks.
- 431.3 **Bridges, viaducts, and grade separations** is charged with expenditures for the construction, maintenance, and repair of bridges (stationary and movable), viaducts, grade separations, trestles, and railroad crossings.
- 431.4 **Tunnels** is charged with expenditures for the construction, maintenance and repair of tunnels, including payments to other government jurisdictions for the joint construction and maintenance of tunnels.
- 431.5 **Storm drainage** is charged with expenditures for the construction, maintenance, and repair of storm drainage inlets and collection and disposal systems.
- 431.6 **Street lighting** is charged with expenditures for street lighting fixtures and for lighting all streets, alleys, bridges, subways and tunnels, except those located in parks.
432. **Sanitation**, a major function of government, includes all activities involved in the removal and disposal of sewage and other types of waste.
- 432.1 **Sanitary administration** is charged with all expenditures for the general administrative direction of sanitation activities.
- 432.2 **Street cleaning** is charged with expenditures for sweeping and washing streets, flushing gutters and underpasses, and collecting and disposing of debris from streets and public roadways.
- 432.3 **Waste collection** is charged with expenditures for collecting garbage and other refuse and delivering it to the place of disposal.
- 432.4 **Waste disposal** is charged with expenditures for disposing of garbage and other refuse. When several methods of disposal are used, such as sanitary landfill and incineration, appropriate accounts should be set up for each disposal facility.

- 432.5 **Sewage collection and disposal** includes accounts for recording expenditures incurred in the collection and disposal of sewage.
- 432.51 **Sanitary sewer construction** is charged with expenditures for the construction of new sanitary sewer lines.
- 432.52 **Sanitary sewer maintenance** is charged with expenditures for repair, reconstruction, and maintenance of sanitary sewer lines.
- 432.53 **Sanitary sewer cleaning** is charged with expenditures for routine cleaning of sanitary sewer lines.
- 432.54 **New sewer services** is charged with expenditures for installing new sanitary sewer lines, clearing emergency stoppages in sanitary sewer service lateral lines, and making taps for service laterals installed by plumbers.
- 432.55 **Sewer lift stations** is charged with expenditures for construction and operation of lift stations that pump sewage over geographical elevations prior to disposition into gravity-flow sewer lines.
- 432.56 **Sewage treatment plants** is charged with expenditures for the construction and operation of plants that treat and dispose of sewage.
- 432.6 **Weed control** is charged with expenditures for cutting and removing weeds from private property when the property owners will not and from government property such as parkways, alleys, and easements.

440. **Health and welfare**

- 441. **Health**, a major function of government, includes all activities involved in the conservation and improvement of public health.
  - 441.1 **Public health administration** is charged with expenditures for the general administration of public health activities.
  - 441.2 **Vital statistics** is charged with expenditures for preparing and maintaining vital records of births, deaths, adoptions, marriages, and divorces; preparing reports and statistical analyses of such data and issuing certified copies of birth certificates, death certificates, and other records, as permitted and required by law.
  - 441.3 **Regulation and inspection** includes expenditure accounts for various inspection and regulatory activities essential to the conservation and improvement of public health.
    - 441.31 **Food and drugs** is charged with expenditures for regulation and inspection of food and drugs. Pertinent activities include licensing; inspection of food stores, factories, markets, and restaurants; laboratory tests of food and drugs; examination and licensing of food handlers; meat inspection; inspection of meat markets; and enforcement of pure food and drug laws and ordinances.
    - 441.32 **Milk and dairy products** is charged with expenditures incurred in the inspection and regulation of milk, dairy products, dairies, dairy cattle, dairy establishments, and dairy delivery facilities.
    - 441.33 **Other sanitary inspection** is charged with expenditures incurred in health inspection and regulatory activities other than those related to milk, food, and drugs. Examples of such activities include inspection of barber and beauty shops, hotels, motels, and tourist and trailer parks; inspection of nursing homes and children's institutions; mosquito, fly, and other insect inspections; inspections of government-owned and private premises for other types of health hazards; air pollution and radiological inspections; and inspection of refuse, water, and sewage facilities. If

- several of these activities are performed by a single government, separate accounts should be set up for each activity.
- 441.4 **Communicable disease control** includes accounts for expenditures incurred in the prevention and treatment (except hospitalization) of certain defined communicable diseases.
    - 441.41 **Tuberculosis** is charged with expenditures incurred for the prevention and treatment (except hospitalization) of tuberculosis.
    - 441.42 **Socially transmitted diseases** is charged with expenditures incurred for the prevention and treatment (except hospitalization) of socially transmitted diseases.
    - 441.43 **Rabies and animal control** is charged with expenditures incurred for the prevention and treatment (except for hospitalization) of rabies.
    - 441.44 **Other communicable diseases** is charged with expenditures incurred for the prevention and treatment (except hospitalization) of all communicable diseases other than tuberculosis, socially transmitted diseases, and rabies. Covered activities include vaccination and immunization against diseases, quarantine and disinfection, extermination of rodents, mosquitos and flies, and operation of clinics and dispensaries.
  - 441.5 **Maternal and child health services** includes accounts for expenditures incurred for various maternal and child health services (except communicable diseases).
    - 441.51 **Maternal and preschool** is charged with all expenditures for child hygiene, except in schools. Pertinent activities include operation of prenatal clinics, nursing visits to expectant mothers, supervision and medicine, operation of preschool clinics, and home visits to children by nurses.
    - 441.52 **School** is charged with expenditures for health and hygiene activities in public and private schools. These activities include medical examination of school children and treatment by health officers, dental examination of school children and treatment by health officers, operation of school clinics, school nursing, nutrition nursing, psychological and psychiatric examinations, and treatment of school children.
  - 441.6 **Adult health services** is charged with expenditures for health services for adults other than those rendered in connection with communicable diseases. These services include educational programs aimed at prevention and control of chronic diseases and accidents.
  - 441.7 **Health centers and general clinics** is charged with expenditures for health centers and general clinics furnishing two or more types of clinical services. If the clinic is maintained exclusively for one service, such as tuberculosis, the expenditures should be charged to the appropriate activity account under **communicable disease control**. Dispensaries operated in connection with clinics should be considered as part of the clinic.
  - 441.8 **Laboratory** is charged with expenditures for laboratory tests essential to the maintenance of public health. These tests include serologic tests for syphilis; bacteriological analysis of water, milk and milk products, and food products; chemical analysis of milk and dairy products; and bacteriological analysis for tuberculosis and other diseases.
444. **Welfare**, a major function of government, includes all activities designed to provide public assistance and institutional care for individuals economically unable to provide essential needs for themselves.

- 444.1 **Welfare administration** is charged with expenditures for the general administration of all public welfare activities.
- 444.2 **Institutional care** is charged with expenditures for the construction and operation of welfare institutions maintained by the government for the care of the indigent. Separate activity accounts should be set up for each type of institution, such as homes for the aged and orphanages.
- 444.3 **Direct assistance** is charged with expenditures, in cash or in kind, made directly to eligible welfare recipients by the government. If there are several categories of assistance programs, expenditures should be classified under one or more of the following categories.
  - 444.31 **General assistance** is charged with expenditures to families or individuals who meet specified eligibility criteria and who are not classified under one of the other welfare programs. General assistance refers to such forms of welfare as home relief and general emergency relief.
  - 444.32 **Old-age assistance** is charged with expenditures made by the government to persons older than a specified age.
  - 444.33 **Aid to dependent children** is charged with expenditures for the care and support of needy dependent children, including payments made to parents, guardians, and foster parents.
  - 444.34 **Aid to the blind** is charged with expenditures made by the government to persons judged legally blind.
  - 444.35 **Aid to the disabled** is charged with expenditures made by the government to persons judged legally disabled.
  - 444.36 **Other direct assistance** is charged with expenditures to needy persons other than those classified under the foregoing categories. If several additional classes of persons are welfare recipients, separate activity accounts should be established for each class.
- 444.4 **Intergovernmental welfare payments** is charged with expenditures made by the government to another government for welfare programs administered by it. Such expenditures should be classified under one of the following categories:
  - 444.41 **General assistance**
  - 444.42 **Old-age assistance**
  - 444.43 **Aid to dependent children**
  - 444.44 **Aid to the blind**
  - 444.45 **Aid to the disabled**
  - 444.46 **Other welfare assistance**
- 444.5 **Vendor welfare payments** is charged with expenditures made directly to private individuals and organizations who furnish authorized care, commodities, and services to welfare recipients.
  - 444.51 **Vendor medical payments** is charged with expenditures to private individuals and organizations for medical assistance for the aged under federal and/ or state programs and for medical assistance payments under general assistance, aid to the blind, and other programs.
  - 444.52 **Other vendor payments** is charged with expenditures made to vendors of care, commodities and services for welfare recipients other than those for medical services. Examples include legal services, burial services, rent, food, and clothing. If more than one class of vendor payments exists, separate accounts should be established for each class.
- 450. **Culture-recreation**, a major function of government, includes all cultural and recreational activities maintained for the benefit of residents and visitors.



451. **Recreation**
- 451.1 **Culture-recreation administration** is charged with expenditures for the general administration of all cultural and recreational activities and facilities.
  - 451.2 **Participant recreation** is charged with expenditures for recreational facilities and activities in which direct participation is the primary attribute. Examples include organized athletics, individual participant sports such as golf, indoor and outdoor games of various kinds, and dancing.
    - 451.21 **Supervision** is charged with expenditures for supervision of two or more recreational activities classified under **participant recreation**.
    - 451.22 **Recreation centers** is charged with expenditures for the construction, maintenance, and operation of multipurpose recreation centers, which contain a full complement of recreational facilities such as gymnasiums, athletic fields, craft rooms, and swimming pools.
    - 451.23 **Playgrounds** is charged with expenditures for the construction, maintenance, and operation of neighborhood playgrounds.
    - 451.24 **Swimming pools** is charged with expenditures for the construction, maintenance, and operation of swimming pools. If more than one pool is maintained, a separate account should be established for each one. If a government operates other types of swimming facilities outside of those in recreation centers, such as a public beach, this account classification may be expanded to include them.
    - 451.25 **Golf courses** is charged with expenditures for the construction, maintenance, and operation of golf courses and related facilities. A separate account should be established for each golf course.
    - 451.26 **Tennis courts** is charged with expenditures for the construction, maintenance, and operation of tennis courts and related facilities.
    - 451.27 **Other recreational facilities** is charged with expenditures for all other participant recreational facilities and areas other than those listed in the foregoing accounts. A separate account should be provided for each type of facility or area.
  - 451.3 **Spectator recreation** is charged with expenditures for cultural and scientific recreational activities benefitting the public as spectators. These expenditures should be charged to one of the following accounts.
    - 451.31 **Botanical gardens**
    - 451.32 **Museums**
    - 451.33 **Art galleries**
    - 451.34 **Zoos**
  - 451.4 **Special recreational facilities** is charged with expenditures for special recreational facilities not included in the foregoing accounts and maintained as separate recreational facilities. Examples include auditoriums, stadiums, camping areas, and marinas. When more than one type of special facility is maintained, a separate account should be established for each one.
452. **Parks** is charged with expenditures for public parks, public squares, and similar ornamental areas. Excluded from this account classification are grounds surrounding public buildings, land encompassed in other recreational facilities such as zoos and incidental landscaping, and maintenance of areas elsewhere classified under recreation.

- 452.1 **Supervision** is charged with expenditures for supervising two or more park activities or facilities.
  - 452.2 **Park areas** is charged with all expenditures for acquiring, operating, and maintaining park areas and related facilities. These include land used for a park; planting and care of park lawns, trees, shrubs and flowers; park roads, walks and paths; park waterways; and park structures and equipment. When more than one park is operated, a separate account should be established for each park.
  - 452.3 **Parkways and boulevards** is charged with expenditures for landscaped areas with traffic lanes running through or adjacent to them. These parkways and boulevards are constructed primarily for beautification and recreation and must be distinguished from so-called boulevards routinely maintained by the street or highway department.
  - 452.4 **Forestry and nursery** is charged with expenditures for growing trees and other plants and transplanting them along streets, in parks, in parkways, or other public areas. Other activities whose expenditures should be included in this account include removal and disposal of undesirable trees and other plants, supervision of tree trimming on public property, and granting of permits to plant trees in parks and other public areas.
  - 452.5 **Park policing** is charged with expenditures for special policing in parks, whether under the direction of the police department or special park police.
  - 452.6 **Park lighting** is charged with expenditures for lighting parks, whenever such expenditures can be separated from the cost of street lighting.
455. **Libraries**
- 455.1 **Library administration** is charged with expenditures for general administration of the library or the library system when more than one library is maintained.
  - 455.2 **Circulation** is charged with expenditures incurred in the circulation of library books, periodicals, and other materials. Circulation activities include the registration of borrowers, maintenance of loan records, notification to borrowers of delinquencies, collection of fines for overdue or lost books, assistance to library patrons in the use of the card catalog, and provision of information about library circulation policies, resources and schedules.
  - 455.3 **Catalog** is charged with expenditures incurred in the classification and cataloging of library materials, the preparation and filing of catalog cards and other acquisition records, and the processing and distribution of cataloged materials to various library divisions and/ or branch libraries.
  - 455.4 **Reference** is charged with expenditures for all reference services. These services include maintaining special files of clippings and pamphlets to supplement books and periodicals, answering reference questions, assisting library patrons in their search for information and the use of indexes and finding aids, processing interlibrary loans, and supervising rare book collections.
  - 455.5 **Order** is charged with expenditures incurred in ordering books and periodicals, checking materials upon receipt, processing gift materials, and forwarding materials to the catalog division for further processing.
  - 455.6 **Periodicals** is charged with expenditures incurred in ordering, receiving, and maintaining magazines and periodicals; maintaining records of periodical holdings; and furnishing information and assistance to library patrons in the use of periodicals.

- 455.7 **Extension** is charged with expenditures incurred in the selection, maintenance and circulation of books and other library materials from bookmobiles.
  - 455.8 **Special collections** is charged with expenditures made for special collections or clientele sections within the library. Examples of such special collections are children's and young adults' divisions, art, music, science and technology, local history and culture, and newspapers. When more than one special collection of this type is maintained, a separate account should be established for each one.
  - 455.9 **Branch libraries** is charged with expenditures for the construction, maintenance and operation of branch libraries located away from the central library or library headquarters of a library system.
461. **Conservation**, a major function of government, includes activities designed to conserve and develop such natural resources as water, soil, forests, and minerals. Expenditures for conservation should be classified according to the specific type of resource.
- 461.1 **Water resources**
  - 461.2 **Agricultural resources** (including soil conservation)
  - 461.3 **Forest resources**
  - 461.4 **Mineral resources**
  - 461.5 **Fish and game resources**
463. **Urban redevelopment and housing**, a major function of government, is concerned with the planning and provision of adequate housing and the redevelopment of substandard and blighted physical facilities in urban areas.
- 463.1 **Urban redevelopment and housing administration** is charged with expenditures for general administration of all urban redevelopment and housing activities when these are combined under a single administrative head.
  - 463.2 **Urban redevelopment** is charged with expenditures for activities involved in the government's conservation, rehabilitation, and clearance of designated portions of urban areas. It also is charged with expenditures involved in the relocation of individuals, families, and businesses from clearance areas to new neighborhoods.
    - 463.21 **Redevelopment administration** is charged with expenditures for planning and administering all redevelopment activities and projects carried out by the government.
    - 463.22 **Conservation projects** is charged with expenditures for conservation of existing neighborhood structures and facilities to prolong their usable life and to prevent subsequent deterioration and blight. If more than one project of this type is carried on, a separate account should be established for each project.
    - 463.23 **Rehabilitation projects** is charged with expenditures for renovation of deteriorated neighborhoods that still are capable of renovation without total clearance and complete redevelopment. If more than one project of this type is carried on, a separate account should be established for each project.
    - 463.24 **Clearance projects** is charged with expenditures for complete demolition, clearance, and redevelopment. If more than one project of this type is carried on, a separate account should be established for each project.
    - 463.25 **Relocation** is charged with expenditures incurred in the relocation and rehousing of persons displaced by redevelopment projects.
  - 463.3 **Public housing** is charged with expenditures for the acquisition, furnishing, maintenance, and operation of the government's pub-

- lic housing for low-income persons. When more than one project of this type is carried on, a separate account should be established for each project.
- 463.4 **Other urban redevelopment** is charged with expenditures for urban redevelopment and housing projects not included under the foregoing accounts. Included are all intergovernmental expenditures for urban redevelopment and housing activities administered by other governments.
465. **Economic development and assistance** is a function whose activities are directed toward economically developing the area encompassed by the government and providing assistance to and opportunity for economically disadvantaged persons and businesses.
- 465.1 **Economic development and assistance administration** is charged with expenditures for the general supervision and administration of all development and assistance activities performed by the government.
- 465.2 **Economic development** is charged with expenditures made to foster economic growth and development of the area over which the government exercises jurisdiction. These development activities include economic and industrial surveys, financial assistance to new industries and businesses, acquisition of industrial sites, contact activities of industrial development agencies, and promotional advertising.
- 465.3 **Employment security** is charged with expenditures for the administration of unemployment compensation programs, public employment offices, and related activities.
466. **Economic opportunity** is charged with expenditures for various programs designed to eliminate or ameliorate poverty and its causes. Expenditures should be classified according to the specific type of program and/or project and in accordance with current federal grants made for such programs.
- 466.1 **Job corps**
- 466.11 **Men's urban training centers**
- 466.12 **Women's urban training centers**
- 466.13 **Rural conservation centers**
- 466.14 **Youth camps**
- 466.2 **Youth work-training programs**
- 466.21 **In-school projects**
- 466.22 **Out-of-school projects**
- 466.3 **Community action programs**
- 466.31 **Preschool readiness instruction**
- 466.32 **Study centers**
- 466.33 **Day-care centers**
- 466.34 **Remedial instruction for elementary school students**
- 466.35 **Family health education**
- 466.36 **Other projects**
- 466.4 **Adult basic education**
- 466.5 **Assistance to migrant agricultural workers and families**
- 466.6 **Work experience programs for needy persons**
470. **Debt service** includes interest and principal payments on general long-term debt.
- 471.1 **Bond principal** is charged with expenditures for periodic principal maturities of general obligation bonds.
- 471.2 **Other debt principal** is charged with payment of principal on general long-term debt other than bonds.
- 472.1 **Interest—bonds** is charged with periodic interest payments on general obligation bonds.



- 472.2 **Interest—other debt** is charged with interest payments on general long-term debt other than bonds.
475. **Fiscal agent's fees** is charged with payments made to financial institutions for services rendered in paying interest and redeeming debt at maturity.
476. **Issuance costs** is charged with payments to bond underwriters, legal fees, and other costs associated with bond issuance.
477. **Advance refunding escrow** is charged with payments made to an escrow agent from sources other than refunding debt proceeds.
480. **Intergovernmental expenditures** includes expenditures made by one level or unit of government to another government in support of government activities administered by the recipient unit. Excluded from this classification are matching employer contributions by a government to a pension or retirement system administered by another government. Such contributions should be allocated to the specific functions in which employees are compensated.
490. **Other financing uses** include financial outflows classified separately from expenditures.
491. **Interfund transfers out** (specify fund) are financial outflows to other funds of the government reporting entity that are not classified as interfund services provided and used, reimbursements, or loans.
492. **Payments to refunded bond escrow agent** are payments to an escrow agent from advance refunding debt proceeds that are to be placed in irrevocable trust.
493. **Discount on bonds issued.** The excess of the face value of bonds over the amount received from their sale (excluding accrued interest and issuance costs).
495. **Special items** result from significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence.
496. **Extraordinary items** are transactions or other events that are both unusual in nature and infrequent in occurrence.

**Object Classifications.** This classification is used to describe the service or commodity obtained as the result of a specific expenditure. There are eight major object categories, each of which is further subdivided. The following are definitions of the object classes and selected subobject categories:

<i>Code</i>	<i>Description</i>
-------------	--------------------

- |      |  |
|------|--|
| 100. | <b>Personal services—salaries and wages.</b> Amounts paid to both permanent and temporary government employees, including personnel substituting for those in permanent positions. This category includes gross salary for personal services rendered while on the payroll of the government. The third position in this number series has not been used so that a job classification code can be inserted by the government if desired. |
| 110. | <b>Regular employees.</b> Full-time, part-time, and prorated portions of the costs for work performed by employees of the government.  |

- 120. **Temporary employees.** Full-time, part-time, and prorated portions of the costs for work performed by employees of the government who are hired on a temporary or substitute basis.
- 130. **Overtime.** Amounts paid to employees of the government in either temporary or permanent positions for work performed in addition to the normal work period for which the employee is compensated.
- 200. **Personal services—employee benefits.** Amounts paid by the government on behalf of employees; these amounts are not included in the gross salary, but are in addition to that amount. Such payments are fringe benefit payments and, although not paid directly to employees, are part of the cost of personal services. The third position in this number series has not been used so that a job classification code can be inserted by the government if desired.
  - 210. **Group insurance.** Employer's share of any insurance plan.
  - 220. **Social security contributions.** Employer's share of social security paid by the government.
  - 230. **Retirement contributions.** Employer's share of any state or local employee retirement system paid by the government, including the amount paid for employees assigned to federal programs.
  - 240. **Tuition reimbursements.** Amounts reimbursed by the government to any employee qualifying for tuition reimbursement, based upon government policy.
  - 250. **Unemployment compensation.** Amounts paid by the government to provide unemployment compensation for its employees. These charges may be distributed to functions in accordance with the budget.
  - 260. **Workers' compensation.** Amounts paid by the government to provide workers' compensation insurance for its employees. These charges may be distributed to functions in accordance with the budget.
  - 290. **Other employee benefits.** Employee benefits other than those classified above. Government may establish subcodes locally for various accrued amounts, such as unused compensated absences. Such amounts may be distributed to the functions according to the employee's assignment.
- 300. **Purchased professional and technical services.** Services that by their nature can be performed only by persons or firms with specialized skills and knowledge. Although a product may or may not result from the transaction, the primary reason for the purchase is the service provided. Included are the services of architects, engineers, auditors, dentists, physicians, lawyers, and consultants. A separate account should be established for each type of service provided to the government.
  - 310. **Official/administrative.** Services in support of the government's various policy-making and managerial activities. These services include management consulting activities directed toward general governance or business and financial management of the government, school management support activities, election, and tax-assessing and collecting services.
  - 320. **Professional.** Services supporting the instructional program and its administration. These services include curriculum improvement services, counseling and guidance services, library and media support, and contracted instructional services.
  - 330. **Other professional.** Professional services, other than educational, supporting the operation of the government. These professionals include physicians, lawyers, architects, auditors, therapists, systems analysts and planners.
  - 340. **Technical.** Services to the government that are not regarded as professional but that require basic scientific knowledge, manual skills,

or both. These services include data processing, purchasing and warehousing, and graphic arts.

400. **Purchased property services.** Services purchased to operate, repair, maintain and rent property owned or used by the government. These services are performed by persons other than government employees. Although a product may or may not result from the transaction, the primary reason for the purchase is the service provided.
410. **Utility services.** Expenditures for utility services, other than energy services, supplied by public or private organizations. Telephone and telegraph are classified under object 530.
411. **Water/sewerage.** Expenditures for water/ sewage utility services from a private or public utility company.
420. **Cleaning services.** Services purchased to clean buildings (apart from services provided by government employees).
421. **Disposal.** Expenditures for garbage pickup and handling not provided by government personnel.
422. **Snow plowing.** Expenditures for snow removal not provided by government personnel.
423. **Custodial.** Expenditures to an outside contractor for custodial services.
424. **Lawn care.** Expenditures for lawn and grounds upkeep, minor landscaping and nursery service not provided by government personnel.
430. **Repair and maintenance services.** Expenditures for repair and maintenance services not provided directly by government personnel. These expenditures include contracts and agreements covering the upkeep of buildings and equipment. Costs for renovating and remodeling are not included here, but are classified under object 450.
440. **Rentals.** Costs for renting or leasing land, buildings, equipment, and vehicles.
441. **Rental of land and buildings.** Expenditures for leasing or renting land and buildings for both temporary and long-range use by the government.
442. **Rental of equipment and vehicles.** Expenditures for leasing or renting equipment or vehicles for both temporary and long-range use by the government. These expenditures include bus and other vehicle rental when operated by a local capital lease arrangements and other rental agreements.
450. **Construction services.** Includes amounts for constructing, renovating, and remodeling paid to contractors.
500. **Other purchased services.** Amounts paid for services rendered by organizations or personnel not on the payroll of the government (separate from professional and technical services or property services). Although a product may or may not result from the transaction, the primary reason for the purchase is the service provided.
520. **Insurance other than employee benefits.** Expenditures for all types of insurance coverage, including property, liability and fidelity. Insurance for group health is not charged here, but is recorded under object 210.
530. **Communications.** Services provided by persons or businesses to assist in transmitting and receiving messages or information. This category includes telephone and telegraph services.
540. **Advertising.** Expenditures for announcements in professional publications, newspapers or broadcasts over radio and television. These expenditures include advertising for such purposes as personnel recruitment, legal ads, new and used equipment, and sale of

- property. Costs for professional advertising or public relations services are not recorded here, but are charged to object 330.
550. **Printing and binding.** Expenditures for job printing and binding, usually according to specifications of the government. This category includes designing and printing forms and posters, as well as printing and binding government publications. Preprinted standard forms are not charged here, but are recorded under object 610.
580. **Travel.** Expenditures for transportation, meals, hotel, and other expenses associated with staff travel for the government. Payments for per diem in lieu of reimbursements for subsistence (room and board) also are charged here.
600. **Supplies.** Amounts paid for items that are consumed or deteriorated through use or that lose their identity through fabrication or incorporation into different or more complex units or substances.
610. **General supplies.** Expenditures for all supplies (other than those listed below) for the operation of a government, including freight.
620. **Energy.** Expenditures for energy, including gas, oil, coal, gasoline, and services received from public or private utility companies.
621. **Natural gas.** Expenditures for gas utility services from a public or private utility company.
622. **Electricity.** Expenditures for electric utility services from a private or public utility company.
623. **Bottled gas.** Expenditures for bottled gas, such as propane gas received in tanks.
624. **Oil.** Expenditures for bulk oil normally used for heating.
625. **Coal.** Expenditures for raw coal normally used for heating.
626. **Gasoline.** Expenditures for gasoline purchased in bulk or periodically from a gasoline service station.
630. **Food.** Expenditures for food used in the school food service program. Food used in instructional programs is charged under object 610.
640. **Books and periodicals.** Expenditures for books, textbooks, and periodicals available for general use, including reference books. These expenditures include the cost of workbooks, textbook binding or repairs, as well as textbooks that are purchased to be resold or rented.
700. **Property.** Expenditures for acquiring capital assets, including land or existing buildings, improvements of grounds, initial equipment, additional equipment, and replacement of equipment.
710. **Land.** Expenditures for the purchase of land.
720. **Buildings.** Expenditures for acquiring existing buildings. These expenditures include the principal amount of capital lease payments resulting in the acquisition of buildings, except payments to building authorities or similar agencies. Expenditures for the contracted construction of buildings, for major permanent structural alterations, and for the initial or additional installation of heating and ventilating systems, fire protection systems, and other service systems in existing buildings are recorded under object 450. Buildings constructed and alterations performed by the government's own staff are charged to objects 100, 200, 610, and 730, as appropriate.
730. **Improvements other than buildings.** Expenditures for acquiring improvements not associated with buildings. These improvements include fences and retaining walls. Not included here, but generally charged to objects 450 or 340 as appropriate, are expenditures for improving sites and adjacent ways after acquisition by the government.



- 740. **Machinery and equipment.** Expenditures for the initial, additional and replacement items of equipment such as machinery, furniture and fixtures, and vehicles.
  - 741. **Machinery.** Expenditures for equipment usually composed of a complex combination of parts (excluding vehicles). Examples are lathes, drill presses, and printing presses.
  - 742. **Vehicles.** Expenditures for equipment used to transport persons or objects. Examples include automobiles, trucks, and buses.
  - 743. **Furniture and fixtures.** Expenditures for furniture and fixtures including office furniture and building fixtures.
- 800. **Other objects.** Amounts paid for goods and services not previously classified.

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**Glossary of Financial and Budget Terms**

**Appendix F**

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## **Glossary of Financial and Budget Terms**

The following are financial and budget definitions that supplement those found within the *Uniform Classification of Accounts* located in Appendix E.

**Abatement and Refunds** - A complete or partial cancellation of a levy.

**Accrual Basis** - A basis of accounting in which revenues are recognized in the accounting period in which they are earned and become measurable; expenses should be recognized in the period incurred, if measurable.

**Ad Valorem** - A tax imposed at a rate or percentage of the value of a particular good.

**Appropriation** - A budgetary account which represents the total authorized expenditures for a current fiscal period.

**Auditor Rotation** - Policy that a government periodically change the independent auditor of its financial statements.

**Blended Presentation** - The method of reporting the financial data of a component unit that presents the component unit's balances and transactions in a manner similar to the presentation of the balances and transactions of the primary government.

**Budget** - A financial plan which estimates proposed expenditures for a given period and the proposed methods of financing them.

**Capital Assets** - Land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

**Capital Budget** - A plan of proposed capital outlays and the means of financing them for the current fiscal period.

**Cash Basis** - A basis of accounting in which revenues are recorded when received in cash and expenditures (or expenses) are recorded when cash is disbursed.

**Component Unit** - A legally separate organization for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

**Discrete Presentation** - Method of reporting financial data of component units in a column or columns separate from the financial data of the primary government.

**Encumbrances** - Commitments related to unperformed (executory) contracts for goods or services.

**Encumbrance Basis** - A budgetary accounting system based on encumbrances. Commitments are encumbered before actual expenditure, thus maintaining control over expenditures and reducing the opportunity to over-expend on appropriations.

**Escrow** - A deed, bond, money, or a piece of property delivered to a third person to be delivered by him/her to the grantee only upon the fulfillment of a condition.

**Excise Taxes** - Selective sales taxes that are levied on specific transactions. They are levied separately from general sales taxes.

**Expenditures** - Decrease in net financial resources other than through interfund transfers.

**Expenses** - Outflows of assets or incurrences of liabilities from delivering or producing goods or rendering services.

**Fiscal Accountability** - The responsibility of governments to justify that their actions in the current period have complied with public decisions concerning the raising and spending of public moneys in the short term.

**Fund** - A fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain

objectives in accordance with special regulations, restrictions, or limitations.

**Fund Balance** - The difference between assets and liabilities reported in a governmental fund. Fund balance is divided into reserved and unreserved portions. See Appendix E: *Uniform Classification of Accounts* for more information.

**Fund Classifications** - One of the three categories (governmental, proprietary, and fiduciary) used to classify fund types.

**Fund Type** - One of 11 classifications into which all individual funds can be categorized. Governmental fund types include the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds. Proprietary funds types include enterprise funds and internal service funds. Fiduciary fund types include pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds.

**Government-Wide Financial Statements** - Financial statements that incorporate all of a government's governmental and business-type activities, as well as its non-fiduciary component units. There are two basic government-wide financial statements: the statement of net assets and the statement of activities. Both basic government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

**Infrastructure** - Long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems.



**Long-Term Budget** - A budget prepared for a period longer than a fiscal year. Long-term budgets concerned with capital outlay and capital improvement programs are referred to as capital budgets.

**Long-Term Debt** - Debt with a maturity date of more than one year after the date of issuance.

**Major Fund** - A governmental fund or enterprise fund reported as a separate column in the basic fund financial statements. The general fund is always a major fund. Otherwise, major funds are funds whose revenues, expenditures/expenses, assets, or liabilities are at least 10 percent of corresponding totals for all governmental or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds for the same item. Any other government or enterprise fund may be reported as a major fund if the government officials believe that fund is particularly important to financial statement users.

**Management's Discussion and Analysis** - A component of required supplementary information used to introduce the basic financial statements and provide an analytical overview of the government's financial activities.

**Mill** - A rate of tax; results in one dollar of revenue for every one thousand dollars of assessed valuation.

**Modified Accrual Basis** - A basis of accounting in which revenues should be recognized in the accounting period in which they become measurable and available. Expenditures should be recognized in the accounting period in which the fund liability is incurred, if measurable.

**Net Assets** - The difference between assets and liabilities accounts. See Appendix E: *Uniform Classification of Accounts* for more information.

**Other Financing Source** - An increase in current financial resources that is reported separately from revenues to avoid distorting revenue trends.

**Other Financing Use** - A decrease in current financial resources that is reported separately from expenditures to avoid distorting expenditure trends.

**Operational Accountability** - Government's responsibility to report the extent to which they have met their operating objectives efficiently and effectively, using all resources available for that purpose, and whether they can continue to meet their objectives for the foreseeable future.

**Ordinance** - A formal legislative enactment by the governing body of a municipality. If it is not in conflict with any higher form of law, it has the full force and effect of law within the boundaries of the municipality.

**Program Budget** - A budget format wherein inputs of resources and outcomes of services are identified by programs without regard to the number of organizational units involved in performing various aspects of the program.

**Program Revenue** - Term used in connection with the government-wide statement of activities. Revenues that derive directly from the program itself or from parties outside the reporting government's taxpayers or citizenry, as a whole; they reduce the net cost of the function to be financed from the government's general revenues.

**Related Party Transaction** - A transaction that an informed observer might reasonably believe reflects considerations other than economic self-interest based upon the relationship that exists between the parties to the transaction.

**Resolution** - A special or temporary order of a legislative body requiring less legal formality than an ordinance or statute; used by governing boards of counties and special districts as a means for taking formal action.

**Short-Term Debt** - Debt with a maturity of one year or less after the date of issuance.

**Special Assessment** - A levy made against certain properties to defray all or part of the cost of a specific capital improvement deemed to benefit primarily those properties.

**Tax Roll** - The official list showing the amount of special assessments levied against each property presumed to be benefited by an improvement or service.

**Title 32, Article 1 Special District** - Special districts created in Title 32, Article 1 of the Colorado Revised Statutes to provide one or more municipal-type services. This includes water and/or sanitation, fire protection, hospitals, recreation, mosquito control, safety protection, street improvements, transportation, emergency medical services, or television relay and translation.

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